2020/2021
ANNUAL REPORT

SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR

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PART A

GENERAL INFORMATION

Public entity's general information

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Acting Company Secretary Mr N.P Mothabe

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
CFO:	Chief Financial Officer
DEEC:	Diamond Exchange and Export Centre
DMRE:	Department of Mineral Resources and Energy
EU:	European Union
FY:	Financial Year
GDV:	Government Diamond Valuator
GIDZ:	Gauteng Industrial Development Zone
HDP:	Historically Disadvantaged Persons
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

FOREWORD BY THE CHAIRPERSON

Mr Abiel Mngomezulu
Chairperson

The new Board of the South African Diamond and Precious Metals (SADPMR) was appointed on the 1st November 2020, and this is our first Annual Report as the new board. We assumed our role in the midst of the COVID-19 pandemic which came with new challenges not only to our industry but to the entire world.

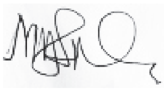
Before the beginning of the pandemic, the industries we regulate were already experiencing a decline as a result of the economic downturn which negatively affected the South African mining industry. The scourge of COVID-19 exacerbated the situation and this has had an effect on local and national markets as well as operations of the SADPMR in general. The financial position of the SADPMR, was no exception to the dire economic climate the country was under. I would humbly like to thank our staff members in assisting to temporarily alleviate our financial position with their sacrifices, whilst not forgetting the financial considerations the DMRE made to see us through one of our toughest financial years. This is a true reflection of what we can achieve when we all put our heads together for a common purpose. We now need to continuously emulate this going forward.

Our task is two-fold, namely, to help the SADPMR achieve all its goals in being the most efficient regulator, and to collaborate with the now ailing industry we serve, to bring it back to life and to introduce measures that will ensure sustainability within the sector and the SADPMR.

The Board's initial focus was on exercising its oversight roles on matters related to Human Resources, Remuneration, Legal, Finance and Audit and Risk challenges which were brought by the effects of the pandemic. In the new financial year, the Board will ensure that new strategic outcomes are included in the SADPMR Strategic Plan and the Annual Performance Plan, so that the entity can amplify the implementation of the national mandate imperatives such as transformation within the diamonds and precious metals sectors. This initiative will ensure that the industry and our entity is prepared to make a meaningful and practical contribution towards addressing economic and transformation challenges. Transformation is a key element of our mandate that will undoubtedly have a positive impact towards addressing unemployment in our country. The Board through its Board committees, oversaw various initiatives and programs of the SADPMR which were aligned to our Strategic Plan of 2020/2025 and the Annual Performance Plan of the 2020/2021 Financial Year.

On the industry front, the Board, led by our transformation and licensing committee, has initiated formal engagements with some of our stakeholders in the diamond sector. Our intention is to continue with such engagements until we have engaged with all our stakeholders. A healthy working environment can only be created through honest and robust engagements. Within the four months of the 2020/2021 financial year the Board has been at the SADPMR, we have been able to understand the industry we serve, planned for our movement to our new office space without much disturbance and plan a path for the coming years.

On behalf of the Board, I would like to extend my sincere gratitude to the Honourable Minister of Mineral Resources and Energy, Mr Gwede Mantashe, for affording us the opportunity of leading the SADPMR and for his support, to management and staff led by our CEO, Cecil Khosa, and for his dedication and understanding.



Mr Abiel Mngomezulu
Chairperson

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

Mr Cecil Khosa
Chief Executive Officer

It is my pleasure to present the 2020/21 Annual Report of the South African Diamond and Precious Metals Regulator (SADPMR). During this financial year, the entity and the diamond and precious metal industries have gone through a difficult period. However, the tenacity and resilience of these sectors continues to show.

In the Financial Year 2020/2021, a total increase of 388 precious metals licenses, permits and certificates were issued as compared to 280 in the previous year. A total of 94 licences were issued to 100% HDP owned entities as compared to a total of 83 issued in the 2019/2020 financial year. The SADPMR's annual target relating to new licences/permits issued to enable legitimate diamond and precious metals trade was exceeded. Transformation of the industry remained the focus of the SADPMR, with an increase from 111 to 130 verification inspections, from the previous financial year which is in line with the conditions of the Mining Charter. Enterprise development projects were concluded during the period resulting in 51 black entrepreneurs being assisted, with a focus on women and youth.

The Government Diamond Valuator (GDV) continued to ensure that the integrity of diamond trade remains intact by valuating 100% of all diamonds presented for diamond tender, export, import and by providing expert opinions on objects presented by the South African Police Service (SAPS). The Diamond Exchange and Export Centre (DEEC) experienced a decrease in clients accessing DEEC services from 2 902 to 1504. The decrease is attributed to the low demand in diamonds that was caused by COVID-19 and related travel restrictions.

SADPMR was successful in collecting most monies that were invoiced for services rendered during the 2020/2021 financial year, by enforcing compliance procedures. Any impairments raised relate to penalties invoiced and not collected and these have been handed over to the organisation's debt collector for collection. The organisation is in the process of compiling a Revenue Strategy in its efforts to maximise revenue and identify additional revenue streams.

Human Resource Management is a key element to maximize the productivity of the entity by optimizing the effectiveness of its employees. During the year under the review, the SADPMR continued to implement its Communication and Marketing strategy to reach a greater audience by hosting webinars, SSME and career expos in schools away from the mining communities. Our ICT division focused on providing remote services to ensure that the SADPMR continued business services and were operational during events of unforeseen disruption, including during the lockdown period.

In the current year, our legal services have been involved in number of litigation cases pertaining to staff matters and contractual matters that we are aiming to conclude in the next financial year.

During the Financial Year 2020/21 the country experienced the COVID-19 pandemic, which affected the operational aspects of the SADPMR negatively. The prevalence of the pandemic necessitated new interventions to protect employees against the pandemic. The entity was able to function with a minimum loss of time due to closure and only a few employees were subjected to quarantine procedures due to COVID-19 positive cases. It is worth mentioning that the SADPMR has regressed from the clean audit in 2020 to an unqualified audit opinion in 2021. There were certain material disagreements raised by the entity with the Auditor General South Africa (AGSA), that we hope will be addressed through the relevant processes as prescribed in terms of external audit engagement processes between the SADPMR and AGSA.

We continue to engage internally as Management and the Board to find solutions that will address challenges faced by the industry.

Mr Cecil Khosa
Chief Executive Officer

Statement of responsibility for the performance information for the year ended 31 March 2021

To the best of our knowledge and belief, we confirm the following:

- All information and amounts disclosed throughout the annual report is 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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the relevant frameworks and guidelines issued by National Treasury.

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

The CEO is responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In our opinion, the performance information fairly reflects the operations of the public entity for the financial year ended 31 March 2021.

Ms Clarinda Simpson
Chief Financial Officer

Mr Cecil Khosa
Chief Executive Officer

Mr A Mngomezulu
Chairperson of the Board

Strategic Overview

1. VISION
To make diamonds and precious metals synonymous with South Africa.

2. MISSION
To regulate and promote the diamonds and precious metals industries in the best interests of the people of South Africa by:

- Transforming the downstream diamond and precious metals industries;
- Ensuring equitable access to diamonds and precious metals resources;
- Promoting local beneficiation of diamonds and precious metals;
- Collaborating with the industry and other stakeholders;
- Identifying initiatives that will develop and support black industrialists;
- Enforcing compliance with legislation;
- Advancing Intra-Africa trade;
- Promoting business development support and growth;
- Supporting skills development in the diamond and precious metals industries;
- Promoting and marketing diamonds and precious metals;
- Conducting research.

3. VALUES
- Ethical culture
- Service culture
- Transparency
- Teamwork
- Respect
- Integrity
- Consistency

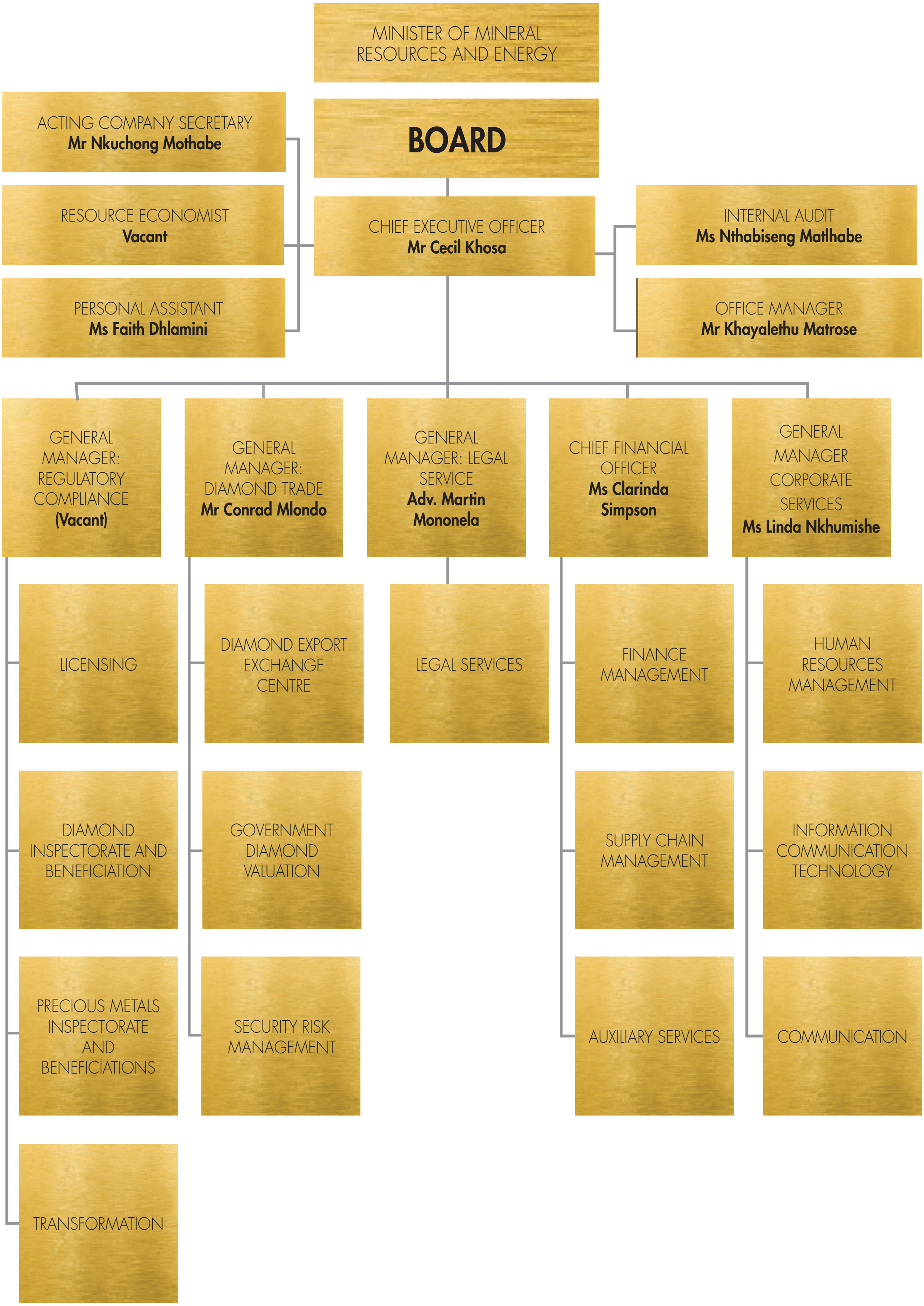
Legislative Mandate of SADPMR

The SADPMR is an organ of the state deriving its constitutional mandate from section 239 of the Constitution of the Republic of South Africa, 1996, in terms of which it is defined as an institution performing public function in terms of the legislation.

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

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

Organisational Structure



PART B

PERFORMANCE INFORMATION

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 (AFS). 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 51.

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. The increase is due to the successful implementation of the SADPMR Beneficiation and Marketing Strategies resulting in 315 beneficiation licenses being issued during the period under review. The number of inspections that aim to ensure compliance with legislation for new applications and existing licensees decreased constant from 2 229 to 1007.

Transformation of the industry remained the focus of the SADPMR, with an increase from 111 to 130 verification inspections, from the previous financial year in line with the conditions of the Mining Charter. This is attributable to the added capacity within the Transformation Unit, which enabled the unit to conduct more inspections within the diamond and precious metals industry. Five (5) enterprise development projects were concluded during the period resulting in 51 black entrepreneurs being assisted, with a focus on women and youth.

The South African diamond industry experienced an increase in diamond production. The Government Diamond Valuator (GDV) evaluated 8,6 million carats this financial year as compared to 7,2 million in the previous year. The GDV continued to ensure that the integrity of diamond trade is intact by valuating 100%of all diamonds presented for diamond tender, export, import and provided expert opinions on objects presented by the South African Police Service (SAPS).

The Diamond Exchange and Export Centre (DEEC) experienced a decrease in the number of clients accessing DEEC services from 2 902 to 1504. The decrease is attributed to the low demand in diamonds that was caused by COVID-19 and related travel restrictions. The decrease has negatively affected the objective of promoting equitable access to diamond resources and local beneficiation. It is noteworthy to also record the decline in rough diamonds submitted in the DEEC. The decline was due to the decline in production from the producers who submit their production to the DEEC before export.

The SADPMR as a focal point of the Kimberley Process Certification Scheme (KPCS) has ensured that South Africa remains compliant to the minimum requirements of the Kimberley Process (KP) through processing of exports, imports of unpolished diamonds and submission of complaint reports.

2.2 Organisational Environment

During the year under review, the entity remained at the current premises in the central business centre of Johannesburg. These premises are being refurbished for other uses such as retail, education, residential and offices. As such the premises remain a central point for clients to conduct their diamond and precious metals business. To ensure the mandate of the entity is fulfilled, the SADPMR is looking forward to relocating to the new premises situated at OR Tambo International Airport, Gauteng Industrial Development Zone (GIDZ). The relocation is planned to take place before the end of the 2020/21 financial year. The new location for the SADPMR head office offers strategic opportunities for safe, secure, and convenient positioning for industry to beneficiate, import and export. The Special Economic Zone provides incentives for qualifying licensees, which will promote investment and boost beneficiation in the country.

In February 2020, the global scourge of COVID-19 impacted business operations, as South Africa's major business partners were already limited in their business operations. This resulted in the decline of both domestic and international trade. On 15 March 2020, the President declared a National State of Disaster due to the COVID-19 pandemic, which had reached our shores. After that the President declared a national lockdown on 26 March 2021, which forced the SADPMR to close its business temporarily, however limited operations were allowed. The SADPMR continues to contribute to curbing the spread of COVID-19 in the country.

2.3 Revenue Collection

	FY2020/2021			FY2019/20		
Sources of revenue	Budget R'000	Actual amount collected	(Over)/ under collection R'000	Estimate R'000	Actual amount collected R'000	(Over)/ under collection R'000
Licence, penalty and service fees	52,556	42,703	(9,853)	57,983	42,210	(15,773)
Interest received	3,548	2,007	(1,542)	4,550	3,405	(1,145)
Other income	492	312	(180)	595	251	(344)
Grant received	62,054	76,054	14,000	64,638	64,044	(594)
Total	**118,651**	**121,076**	**2,426**	**127,765**	**109,910**	**(17,855)**

The organisation was successful in collecting the majority of monies that were invoiced for services rendered during the 2020/2021 financial year due to enforcing compliance procedures. Any impairments raised relate to penalties invoiced and not collected and have been handed over to the organisation's debt collector for collection.

The revenue generated during the 2020/2021 financial year was under budget due to the impact of a declining diamond and precious metals industry, which was further exacerbated by the COVID-19 pandemic. The organisation was able to secure additional funding from the Shareholder to compensate for the shortfall in revenue generation and as a result the grant allocation for the 2020/2021 financial year was increased by R14 million. The organisation utilised its reserves to defray the expenditures in fulfilling its mandate. The organisation has also compiled a draft revenue strategy in efforts to maximise revenue and identify additional revenue streams. Austerity measures were implemented to minimise costs in light of the lower revenue generation and the organisation came under budget with regard to expenditure.

2.4 Capital Investment

	FY2020/2021			FY2019/20		
Infrastructure programme	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000	Budget R'000	Actual expenditure R'000	(Over)/ under expenditure R'000
Computer equipment	6,800	4,075	2,725	9,950	3,124	6,826
Furniture and fitting	70	0	70	245	65	180
Leased office equipment		0	0	0	0	0
Leasehold improvements		0	0	0	0	0
Motor vehicles		0	0	2,500	2,484	16
Office equipment	2,670	1,153	1,517	912	855	57
Security systems, machinery and safes	7,766	73	7,693	0	30	(30)
Total	**17,306**	**5,301**	**12,005**	**13,607**	**6,558**	**7,049**

Due to budget constraints the organisations asset acquisitions were kept to a minimum with focus on capital acquisitions that were necessary to facilitate the relocation to the Gauteng Industrial Development Zone (GIDZ). These asset acquisitions related to procurement of servers and audio-visual equipment for fitting out of the new office premises at the GIDZ. Other acquisitions related to security equipment for the Kimberley Regional Office and smaller operational assets for the office premises in Johannesburg. All assets due for repairs and maintenance were serviced during the year and remain operational. No asset disposals took place during the current financial year and minimal losses were disclosed in the 2020/2021 Annual Financial Statements, which emanated from the theft of computer equipment. Half yearly asset verification exercises were conducted to verify the existence of assets as per the asset register, assess the condition of assets and identify any assets for disposal. The organisations assets were deemed to be in good condition and continue to be operational.

2.5 Key Policy Developments and Legislative Changes

There were no key policy development and legislative changes in 2020/21.

PROGRAMME PERFORMANCE
PART C: MEASURING OUR PERFORMANCE:

PROGRAMME 1: ADMINISTRATION

Institutional Programme Performance Information

1. Purpose:

To provide efficient administration support services by ensuring Human Resources Management, Communication, and Information and Communications Technology services are effectively operational and maintained at all times and responsive to the needs and aspirations of their stakeholders.

1.1 Programmes:

Finance, Corporate Services, Security Services and Legal Services.

1.1.1 Sub-Programme: Finance

Purpose:

To provide overall financial and supply chain management.

Highlights:

The focus of the Finance and Supply Chain Management divisions was on improving the efficiency in services rendered to support the organisation in the delivery of its mandate. The Finance division was successful in assisting the organisation in securing a top up on its 2020/2021 grant allocation to ensure sustainability of the organisation in light of its dwindling revenue generation due to a declining industry, which was further exacerbated by the impact of the COVID-19 pandemic. As a result, the organisation remains a Going Concern for the foreseeable future. The Supply Chain division contributed towards the support of Historically Disadvantaged Individuals (HDI) by implementing processes to increase the involvement of HDI in its procurement processes. Automation and maximising revenue generation has been a key focus area for the unit. The procurement and spending plans were prudently monitored to ensure alignment with the approved budget with focus on the procurement of capital assets relating to the relocation to the GIDZ. This was complemented by the completion of quarterly reports, supporting the link between the budget and the Annual Performance Plan (APP).

1.1.2 Sub-Programme: Human Resources Management

Purpose:
To maximize the productivity of the entity by optimizing the effectiveness of its employees.

Highlights:
Monitoring the effectiveness and applicability of all HR policies, Codes of Practices, Employment Reports, Employee Wellness and Occupational Health and Safety Matters. HR Remuneration and Ethics Committee reviewed the advised developments of codes of practice in relation to remuneration and advising the Board on issues arising from them. The committee further advised the Board on all Labour Relations and Litigation matters which may have an impact on the entity as well as the shareholder. The committee monitors selection and recruitment of executive managers as well as the CEO's position as contained in the SADPMR Recruitment and Selection Policy. Monitoring and overseeing SADPMR marketing strategy to ensure healthy relationship with both internal and external stakeholders, including public relations and communication, advised the Board on ethics related matters and recommend appropriate interventions for implementation by the management of the Regulator.

1.1.3 Sub-Programme: Communications

Purpose:
Communications sub-programme is responsible for overseeing a wide range of communications activities.

Highlights:
During the year under the review, the SADPMR continued to implement the Communication and Marketing strategy to reach greater audience by hosting webinars, Small, medium and micro enterprises (SMME) expos and career expos in schools away from the mining communities. The entity participated in exhibitions to engage stakeholders during the pandemic. Given the restrictions linked to COVID-19, the Regulator interacted with a number of stakeholders through social media platforms. At the point when travel restrictions were reviewed, the SADPMR assisted pupils from schools in rural areas of KwaZulu-Natal, Northern Cape and Eastern Cape with personal protective items. The division also intensified communication through the use of internal newsletters, intranet, social media and emails with internal stakeholders (employees and unions) especially on matters pertaining to COVID-19 and other important matters of the entity. Stakeholder engagements and brand promotion continues to be implemented beyond this financial year and innovative measures of reaching out are being explored.

1.1.4 Sub-Programme: Information Communication and Technology

Purpose:
Aligned ICT strategy with business strategy and automation of business processes.

Highlights:
During the year under review, the ICT division focused on adopting provision of remote services in order to ensure that SADPMR have continued to render business services and is operational during any event of unforeseen disruptions including the lockdown period. The technology was adopted in order to ensure business continuity, scalability of infrastructure and digitization of services. The ICT further upgraded security measures by introducing data encryption on all the laptops to protect the SADPMR information given that most of the employees of the Regulator are working remotely. Furthermore, continuous maintenance on Web Admin system was conducted on the Regulatory Compliance and Diamond Trade modules to ensure continued service delivery and centralization of SADPMR services to its clients and licensees. Given the continued prevalence of the COVID-19 pandemic, the ICT division is considering innovative ways of ensuring that services continue remotely as well as from the offices of the SADPMR with due regard to ICT security measures.

1.1.5 Sub-Programme: Security Risk Management

Purpose: To implement the Minimum Information Security Standards (MISS), Minimum Physical Security Standards (MPSS), National Vetting Strategy (NVS) and relevant pieces of legislation.

Highlights: The Security Risk Management division continues with the implementation of mitigating the risks in terms of the National Vetting Strategy that was introduced to enhance the National Information and Physical Security Policies. The MISS and MPSS were applied as counter intelligence measures. In the year under review, both policies were implemented with a focus on security screening/vetting and fraud risk awareness to the employees.

The SADPMR continues to implement the contingency plan and the main focus for this year was emergency evacuation drills and Occupational Health and Safety audits. These activities assist the entity to provide proper risk assessment control measures.

1.1.6 Sub-Programme: Legal Services

Purpose: Provide efficient and effective general legal support by ensuring compliance with legislation; identify and mitigate legal risks; and provide well-informed legal advice.

Highlights: In the current year legal services have been involved in a number of litigation cases and contractual matters. One of the major contractual matters to highlight is in relation to relocation of the SADPMR to GIDZ Special Economic Zone in O.R Tambo Airport.

2. INSTITUTIONAL OUTCOMES

An effective, efficient and development orientated SADPMR.

3. OUTCOMES, OUTPUTS, OUTPUT INDICATORS, TARGETS AND ACTUAL ACHIEVEMENT

Summary

Sub-programmes	Output Indicators
Finance Management	• Number of contracts awarded to HDI • % of rand value of Procurement spend awarded to HDI (level 1 and 2) • Number of instances of non-compliance with the PFMA • Revenue strategy developed and implemented • Identify and implement application systems to optimise utilisation of ERP system
Human Resource Management	• Compliance with the Workplace Skills Plan (WSP) requirements • Number of new bursaries awarded • Number of young graduates recruited into the Internship Programme • Percentage of signed performance agreements and work plans facilitated • Number of bi-annual performance assessments facilitated • Number of wellness programmes events/activities facilitated • Number of wellness programme interventions coordinated, • Number of employee recognition events coordinated • Number of organisational culture interventions coordinated • Number of leadership development programmes coordinated • Number of women and youth empowered through skills development for internal staff.
Communication	• Number of internal and external stakeholder engagements conducted. • Number of brand promotion activities implemented • Number of Diamond and Precious Metal industry specific articles published about the services of the SADPMR • Number of Internal newsletter articles published • Number of engagements uploaded on digital media platforms
Information and Communications Technology	• Number of disaster recovery tests implemented • Phases online applications developed • Number of ICT security measures implemented
Security and Risk Management	• Number of vetting files submitted to SSA • Number of fraud and corruption prevention activities implemented • Number of occupational, health and safety initiatives implemented
Legal Services	• Percentage of matters referred for legal advice and addressed within 30 days • Percentage of legal opinions obtained on behalf of the Regulator • Percentage of contracts and SLAs vetted within 30 days

Sub programmes: Finance, Human Resources Management, ICT, Communications, Security Risk Management and Legal Services
Part A: Annual Performance Plan (Quarter 1) before re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
An effective, efficient and development orientated Regulator	Increase participation of HDI's.	Contracts awarded to HDI (Level 1 & 2).	Establish baseline	Establish baseline	5	1	N/A (Q1 target was 1)		Companies are not operating at their maximum capacity due to COVID-19, which results in bids and RFQ's being non-responsive. The indicator was also changed to meet the SMART principle.

Sub programmes: Finance, Human Resources Management, ICT, Communications, Security Risk Management and Legal Services
Part A: Annual Performance Plan (Quarter 1) before re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
	Value of contracts awarded to HDI	Increased contracts value awarded to HDI's.	Establish baseline	Establish baseline	45%	100%	90% over-achievement	Over-achievement due to the fact that suppliers with Historically Disadvantaged Backgrounds score more points for BEE due to their BEE levels	Companies are not operating at their maximum capacity due to COVID-19, which results in bids and RFQ's being non-responsive. The indicator was also changed to meet the SMART principle.
	Non-compliance To PFMA (Irregular, Fruitless and Wasteful expenditure)	Compliance with the PFMA	Establish baseline	Establish baseline	Nil	Nil	No deviation		Output not revised
	Developed strategy	Revenue strategy developed and implemented	Establish baseline	Establish baseline	Develop strategy to maximise revenue	Consultation with management.	No deviation		Output not revised
	Implemented finance application modules	Finance application modules Implemented	Establish baseline	Establish baseline	Compile an application renewal plan with milestones	Not achieved	No plan complied	Non-achievement relates to the lockdown period and inability to collaborate with ICT and Pastel support in order to identify areas for automation on the ERP system and formulate renewal plan	Output not revised
	Optimisation of Human capital and improved employee relations through implementation of HR plan	Reduction of vacancy rate	Establish baseline	Less than 5% vacancy rate	Less than 5% Vacancy rate	Not Achieved	No vacancies were filled during this period	The continuing decline in revenue generation by the SADPMR has impacted entity's financial position. Therefore, it was not possible to fill all vacant posts	The entity is currently experiencing financial constraints in the form of reduced revenue generation as a result of decline in the industry. The indicator was also changed to meet the SMART principle.
		Compliance with the WSP requirements	Establish baseline	Establish baseline	100%	100%	N/A	No deviation	Output not revised

Sub programmes: Finance, Human Resources Management, ICT, Communications, Security Risk Management and Legal Services
Part A: Annual Performance Plan (Quarter 1) before re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
		New bursaries awarded	Establish baseline	Establish baseline	5	0	Planned for Q4	No deviation	The current training budget was reduced because it was used for training of COVID-19 team. The indicator was also changed to meet the SMART principle.
		Young graduates recruited into the Internship Programme	Establish baseline	Establish baseline	8	10	2 over achievement	Emanating after adding GDV division to the list of core that need to train graduates to address the issue national scare skill in the Government Diamond Valuation. Instead of appointing 8 interns as per plan the GDV was approved two officials.	Output not revised
		Signed performance agreements and work plans facilitated	Establish baseline	Establish baseline	100%	0%	100% under achievement	The new working arrangements working from home/ rotational system as well as the unavailability of employees in their offices has negatively impacted the finalization of performance agreements and work plans for 2020/21 financial year.	Output not revised
		Bi-annual performance assessments facilitated	Establish baseline	Establish baseline	2	1	1 Over achievement		Output not revised
		Wellness programmes events/ activities facilitated	Establish baseline	Establish baseline	5	0	1 under-achievement	Due to precautionary measures which prohibited gatherings of 50 and more people in the workplace preventing the hosting of wellness events during Q1	Wellness events/ activities require physical contact, this will not be in support of the requirements of social distancing. The indicator was also changed to meet the SMART principle.

Sub programmes: Finance, Human Resources Management, ICT, Communications, Security Risk Management and Legal Services
Part A: Annual Performance Plan (Quarter 1) before re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
		Wellness programme interventions coordinated	Establish baseline	Establish baseline	4	0	1 under-achievement	Due to precautionary measures which prohibited gatherings of 50 and more people in the workplace prevented the hosting of wellness events during Q1.	Output not revised
		Employee recognition event coordinated	Establish baseline	Establish baseline	1	0	No Deviation	Planned for Q3	Output not revised
		Organisational culture intervention coordinated	Establish baseline	Establish baseline	2	0	No Deviation	Planned for Q3	Part of the budget for organizational culture was used for the project on optimal utilization of human resources within the SADPMR. The indicator was also changed to meet the SMART principle.
		Leadership development programmes coordinated	Establish baseline	Establish baseline	2	0	1 underachievement	Due to precautionary measures which prohibited gatherings of 50 people, attending programmes outside of the workplace posed a risk.	The current training budget was reduced because it was used for training of COVID-19 team.
		Women, and youth empowerment skills development facilitated for internal staff	Establish baseline	Establish baseline	2	0	1 Under-achievement	Due to precautionary measures which prohibited gatherings of 50 and more people in the workplace prevented the sending of employees to actual courses	Output not revised
	Business continuity through replication of information from primary to the secondary site	Implement disaster recovery plan	Establish baseline	Establish baseline	2	1	No Deviation		Output not revised

Sub programmes: Finance, Human Resources Management, ICT, Communications, Security Risk Management and Legal Services
Part A: Annual Performance Plan (Quarter 1) before re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
	Automated business applications	Online applications developed	Establish baseline	Establish baseline	Business impact assessment report for the development of 3 online applications	Consultation with Licensing Division	No Deviation		Output not revised
	Secured ICT environment	ICT security measures implemented	Establish baseline	Establish baseline	2	0	No Deviation	Planned for Q3	Output not revised
	Promotion of SADPMR and its services and improved stakeholder relations through the implementation of Marketing strategy	Internal & external stakeholder engagements conducted.	Establish baseline	Establish baseline	10	3	No deviation		Output not revised
		Facilitate brand promotion activities implemented	Establish baseline	Establish baseline	12	0	2 Under-achievement	Due to precautionary measures which prohibited gatherings of 50 and more people/ interprovincial travel/international travel prevented the hosting of promotional events (expos, investment drives locally and internationally).	This activity involves local and international exhibitions as well as career expos. The target involves participation in big gatherings. The current regulations of COVID-19 did not permit this activity to be undertaken. The indicator was also changed to meet the SMART principle.
		Diamond and Precious Metal industry specific articles published about the services of the SADPMR	Establish baseline	Establish baseline	4	0	1 Under-achievement	The original article that was planned became irrelevant due to the COVID-19 developments which negatively impacted the diamond industry.	Output not revised
		Internal newsletter articles published	Establish baseline	Establish baseline	6	1	No Deviation		Output not revised

Part A: Annual Performance Plan (Quarter 1) before re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
		Uploaded engage-ments on digital media platforms	Establish baseline	Establish baseline	30	35	27 over achievement	During the lockdown focus was placed on digital platform in the form of social media to promote and engage SADPMR stakeholders.	Output not revised
	Fulfil the National Vetting Strategy compliance by verifying that employees are security competent	Implement physical and personnel security risk mitigation measures	Establish baseline	Establish baseline	5	0	No deviation		Filling of vacancies has been impacted negatively by COVID-19 which has reduced a demand for vetting. The indicator was also changed to meet the SMART principle.
	Acquire suitable candidates during screening process	Implement physical and personnel security risk mitigation measures	Establish baseline	100%	100%	100%	No deviation		This output indicator is no longer strategic since very few vacancies will be filled in the current financial year due to unavailability of funds, therefore minimal pre-employment screening will be conducted. The indicator was also changed to meet the SMART principle.
	Reduction in fraud and corruption related matters	Implement physical and personnel security risk mitigation measures	Establish baseline	Establish baseline	4	0	1 Under-achievement	Arrangements for conducting workshops for employees were done but due to precautionary measures which prohibited gatherings of 50 and more people in the workplace prevented the workshop to be conducted. There was unavailability of employees because of rotational system.	Output not revised

Part A: Annual Performance Plan (Quarter 1) before re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/ Output indicators/ Annual Targets
	To ensure that the work environment is safe and secure in line with the Health and Safety requirements.	Implement physical and personnel security risk mitigation measures	Establish baseline	Establish baseline	6	1	No Deviation		Output not revised
	Accurate, well-informed and up to date legal advice	Matters attended within 30 days	100%	100%	100%	100%	No Deviation		Output not revised
		Legal opinions obtained on behalf of the Regulator	100%	100%	100%	100%	No Deviation		Output not revised
		Contracts and SLAs vetted within 30 days	100%	100%	100%	100%	No Deviation		Output not revised

Part B: Annual Performance Plan (Quarter 2 to Quarter 4) after re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
An effective, efficient and development orientated Regulator	Increase participation of HDI's.	Number of contracts awarded to HDI.	Establish baseline	Establish baseline	3	8	4 Over-achievement	Overachievement is as a result of a concerted effort to catch up on expired contracts most of which were rolled over from the prior year
	Increase participation of HDI's.	% of rand value of Procurement spend awarded to HDI (level 1 and 2)	Establish baseline	Establish baseline	35%	63%	28%	Overachievement due to the fact that suppliers with Historically Disadvantaged Backgrounds score more points for BEE due to their BEE levels
	Compliance to PFMA (Irregular, Fruitless and Wasteful expenditure)	Number of instances of non-compliance with the PFMA	Establish baseline	Establish baseline	Nil	6	6 Under- achievement	Irregular and fruitless and wasteful expenditure incurred by end users as a result of circumvention of supply chain processes by end users
	Financial sustainability	Revenue strategy Developed and implemented	Establish baseline	Establish baseline	Develop strategy to maximise revenue	Strategy not approved	Strategy not approved and needs to be strengthened	Revenue strategy not approved
	Improve effectiveness and efficiency of ERP systems	Identify and implement application systems to optimise utilisation of ERP system	Establish baseline	Establish baseline	Compile an application renewal plan with milestones	Application Renewal Plan compiled	No deviation	

Part B: Annual Performance Plan (Quarter 2 to Quarter 4) after re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
		Percentage of compliance with the WSP requirements	Establish baseline	Establish baseline	100%	100%	No Deviation	
		Number of new bursaries awarded	Establish baseline	Establish baseline	4	9	5 Over-achievement	An increased number of bursary applicants was received
		Number of young graduates recruited into the Internship Programme	Establish baseline	Establish baseline	8	0	No Deviation	Target achieved in Q1
		Percentage of signed performance agreements and work plans facilitated	Establish baseline	Establish baseline	100%	96.6%	3.4% Under-achievement	Due to suspended employees and an employee on extended sick leave.
		Number of bi-annual performance assessments facilitated	Establish baseline	Establish baseline	2	1	No Deviation	
		Number of wellness programmes events / activities facilitated	Establish baseline	Establish baseline	2	3	1 Over-Achievement	Due to COVID-19 restrictions during the financial year, the target was adjusted, however the relaxation of the measures ensured that the original target was achieved
		Number of wellness programme interventions coordinated	Establish baseline	Establish baseline	4	4	No Deviation	
		Number of employee recognition event coordinated	Establish baseline	Establish baseline	1	1	No Deviation	
		Number of organisational culture inter-vention imple-mented	Establish baseline	Establish baseline	1	1	No Deviation	
		Number of leadership development programmes implemented	Establish baseline	Establish baseline	1	1	No Deviation	
		Number of women and youth empow-erment skills development facilitated for internal staff	Establish baseline	Establish baseline	2	2	No Deviation	

Part B: Annual Performance Plan (Quarter 2 to Quarter 4) after re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
	Business continuity through replication of information from primary to the secondary site	Number of disaster recovery tests implemented	Establish baseline	Establish baseline	2	1	No Deviation	
	Automated business applications	Phases of online applications developed	Establish baseline	Establish baseline	Business impact assessment report for the development of 3 online applications	Approved Business Impact Assessment Report Phases of 2 online applications developed.	No Deviation	
	Secured ICT environment	Number of ICT security measures implemented	Establish baseline	Establish baseline	2	2	No Deviation	
	Promotion of SADPMR and its services and improved stakeholder relations through the implementation of Marketing strategy	Number of internal & external stakeholder engagements conducted.	Establish baseline	Establish baseline	10	7	No deviation	
		Number of brand promotion activities implemented	Establish baseline	Establish baseline	8	9	1 Over-achievement	Due to the travel relaxation, more stakeholders were reached during the financial year
		Number of Diamond and Precious Metals industry specific articles published about the services of the SADPMR	Establish baseline	Establish baseline	4	4	No Deviation	
		Number of Internal newsletter articles published	Establish baseline	Establish baseline	6	5	No Deviation	
		Number of engagements uploaded on digital media platforms	Establish baseline	Establish baseline	30	198	168 Over-achievement	There was an increase in events that were aligned with social media and working from home policy, allowed officials to be active on social media
	Fulfil the National Vetting Strategy compliance by verifying that employees are security competent	Number of vetting files submitted to SSA	Establish baseline	Establish baseline	3	4	1 Over-achievement	Received more applications than planned

Part B: Annual Performance Plan (Quarter 2 to Quarter 4) after re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
	Reduction in fraud and corruption related matters	Number of fraud and corruption prevention activities implemented	Establish baseline	Establish baseline	4	3	No Deviation	
	To ensure that the work environment is safe and secure in line with the Health and Safety requirements.	Number of occupational, health and safety initiatives implemented	Establish baseline	Establish baseline	6	5	No Deviation	
	Accurate, well-informed and up to date legal advice	Percentage of matters referred for legal advice and addressed within 30 days	100%	100%	100%	100%	No Deviation	
		Percentage of legal opinions obtained on behalf of the Regulator	100%	100%	100%	100%	No Deviation	
		Percentage of contracts and SLAs vetted within 30 days	100%	100%	100%	100%	No Deviation	

Reporting on the Institutional Response to the COVID-19 Pandemic

During the financial year 2020/21 the country experienced the COVID-19 pandemic, this negatively affected the operational aspects of the SADPMR. The prevalence of the pandemic necessitated new interventions in order to protect employees against the pandemic. The following counter measures were developed and they consisted of Engineering Controls, Administrative Controls, Personal Protective Equipment as COVID-19 control measures. The entity was able to function with less lost time and a few employees were subjected to quarantine due to positive cases. A total of 8 employees tested COVID-19 positive and all employees have since recovered. The entity introduced remote inspections, which reduced the delays in issuance of licenses.

Table: Progress on Institutional Response to the COVID-19 Pandemic

Programme/ Sub Programme	Intervention	Geographic location (Province/ District/Local municipality) (where possible)	No. of beneficiaries (where possible)	Disaggregation of Beneficiaries (where possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate outcomes
All Programmes	Engineering Controls, Administrative Controls, Personal Protective Equipment as COVID-19 control measures, work shifts, quarantine in case of exposure and isolation in the case of positive cases	Gauteng Johannesburg and Northern Cape-Kimberley	127	N/A		304 363	There was little negative effect on business activities	……

Strategy to overcome areas of under performance

Incidents of irregular, fruitless and wasteful expenditure occurred during the year and were reported in the annual financial statements. Staff will be capacitated via training in order to ensure compliance to the PFMA and avoidance of irregular, fruitless and wasteful expenditure. The revenue strategy was not approved during the year. Discussions have been planned and scheduled with management to obtain inputs in order to formulate and implement the revenue strategy. Discussions are currently underway.

As part of ensuring that all employees comply with the requirement of concluding performance agreements and work plans timeously, during the fourth quarter of every year, communiqué was issued to all staff members requesting them to prepare the required documents. Also, the same matter was discussed at management meetings and submission progress was presented to all managers before the annual due date of 31 May 2021.

Linking performance with budgets

During the year the programme administration reflects savings of R5.6 million in expenditure mainly due to reduced staff costs as a result of budgeted incentive bonus not paid out as a cost containment measure and vacancies not filled. There was savings in other expenditure items as a result of COVID-19 pandemic, which compelled business activities to be done differently.

Programme/ activity/objective	FY 2020/2021			FY 2019/2020		
	Budget R'000	Actual expenditure R'000	Under expenditure R'000	Budget R'000	Actual expenditure R'000	Under expenditure R'000
Programme 1: Administration	**76,221**	**69,267**	**6,954**	77,169	68,320	8,849

PROGRAMME 2: DIAMOND TRADE

Purpose: The Diamond Trade Programme is responsible for the facilitation of local trade as well as exports and imports of diamonds in accordance with the KPCS and to ensure that diamonds are traded at fair market value.

Sub-programmes:

i) Sub-programme: Government Diamond Valuator (GDV)

Purpose:

To ensure that diamonds are traded at fair market value.

Highlights:

The GDV conducted skill facilitation by training six new entrants in the diamond industry. These trainees were trained in diamond planning, marking, sorting, valuation and pricing. Half of the trainees fall under youth group (one youth woman and two youth males). The training of women and youth in the diamond industry increases their chances of employment and of subsequently becoming an entrepreneur in the future. This is evident from the other beneficiaries of the same interventions by the SADPMR Sub-programme: Diamond Exchange and Export Centre (DEEC).

ii) Diamond Exchange and Export Centre (DEEC)

Purpose:

To facilitate the buying, selling exporting and importing of diamonds.

Highlights

In compliance with KPCS statute, the SADPMR submitted all quarterly trade statistic reports and annual diamond production statistic reports. All diamonds that were imported and exported were verified, if they are traded in fair market value, also ensuring that all undisclosed synthetic diamonds were detected. To promote equitable access to diamonds by companies owned by HDPs, accessing the DEEC and beneficiators the SADPMR has ensured that diamonds beneficiators are given first preference during tenders and all facilitated special tenders. This intervention has increased the number of diamonds beneficiators accessing DEEC services for the first time.

However, the industry is still struggling to assist the persons living with disabilities who apply for the diamond business related licenses. The SADPMR will target the institutions that provide training to people living with a disability to encourage them to apply for licenses in order to increase the pool of beneficiaries from special groups.

Sub-programmes	
Sub programme	**Output Indicators**
DEEC	Number of companies owned by HDPs accessing the DEEC Number of beneficiates accessing the DEEC for the first time Percentage of compliance to KPCS
GDV	Number of skills initiatives facilitated for the industry Percentage of valuations conducted Percentage of polished undisclosed synthetic diamonds detected

Institutional outcomes

- Job creation, skills development and value addition to precious metals and diamonds
- Compliance to legislation
- To ensure compliance with KPCS statute

Part A: Annual Performance Plan (Quarter 1) before re-tabling

Programme/Sub-programme:									
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2018/2019**	**Audited Actual Performance 2019/2020**	**Planned Annual Target 2020/2021**	***Actual Achievement 2020/2021 until date of re-tabling**	**Deviation from planned target to Actual Achievement 2020/2021**	**Reasons for deviations**	**Reasons for revisions to the Outputs/Output indicators/ Annual Targets**
Job creation, skills development and value addition to precious metals and diamonds	Trained new entrants in diamond planning, marking, sorting, valuation and pricing	Facilitate skills development initiatives for the industry	5	2	5	0	1 Under-achievement	The planning was done and ready for the trainees and due to restrictions of movements the training could not be facilitated.	The target is reduced due to unavailability of targeted trainees which is caused by COVID-19 pandemic. The indicator was also changed to meet the SMART principle.
Compliance to legislation	To verify the fair market value of diamonds	Conduct diamond valuations.	100%	100%	100%	100%	No Deviation		Output not revised
Compliance to legislation	Detect undisclosed synthetic diamonds	Subject all diamonds to manual verification	Establish baseline	100% undisclosed synthetic polished diamond detected	100%	100%	No Deviation		Output not revised
Compliance to Legislation	Equitable access of diamonds.	Facilitate access to DEEC for HDP's	Establish baseline	Establish baseline	8	0	2 Under-achievement	The decline in diamond production coupled with closure of major global trading partners due to COVID-19 pandemic had negative impact on the diamond industry in the country and has subsequently affected the companies which conduct business at the DEEC.	Target is reduced to accommodate the decline in diamond production coupled with closure of major global trading partners due to COVID-19 pandemic. This had a negative impact on the diamond industry in the country and has subsequently affected the companies which conduct business at the DEEC. The indicator was also changed to meet the SMART principle.

Part A: Annual Performance Plan (Quarter 1) before re-tabling (continued)

Programme/Sub-programme:									
Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	*Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
	Equitable access to diamonds	Facilitate access to the DEEC for new beneficiators	Establish Baseline	Establish Baseline	3	0	No deviation	Planned for Q3	The target for number of new beneficiators accessing the DEEC is revised to respond to the challenges that the beneficiators are confronted with during this economic meltdown. The production in the factories has reduced due to the low demand in polished diamonds. The indicator was also changed to meet the SMART principle.
To ensure compliance with KPCS statute	Oversee the administration of KPCS	Issued KP certificates, Submission of quarterly reports (statistics), Submission of RSA's Annual Statistical Report	100%	100%	100%	100%	No deviation		Output not revised

Part B: Annual Performance Plan (Quarter 2 – Quarter 4) after re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
Job creation, skills development and value addition to precious metals and diamonds	Trained new entrants in diamond planning, marking, sorting, valuation and pricing	Number of skills initiatives facilitated for the industry	5	2	(3)	(3)	No deviation	
Compliance to legislation	To verify the fair market value of diamonds	Percentage of valuations conducted.	100%	100%	(100%)	(100%)	No deviation	
	Subject all diamonds to manual verification	Percentage of polished undisclosed synthetic diamonds detected	100% undisclosed synthetic polished diamond detected	100%	(100%) undisclosed synthetic polished diamonds detected	(100%)	No deviation	

Part B: Annual Performance Plan (Quarter 2 – Quarter 4) after re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
Compliance to Legislation	Equitable access of diamonds.	Number of HDP's owned companies accessing the DEEC	Establish baseline	Establish baseline	(3)	(7)	4 Over-achievement	Over Achieved by 4 due to high demand for tenders facilitated at the DEEC during this period.
		Number of beneficiators accessing the DEEC for the first time	Establish baseline	Establish baseline	(2)	(6)	4 Over-achievment	Special tender for DBs and the prioritization of DBs during tenders encouraged more participation during tenders.
To ensure compliance with KPCS statute	Oversee the administration of KPCS	Percentage of compliance to KPCS	100%	100%	(100%)	(100%)	No deviation	

i) Sub Programme: Diamond Exchange and Export Centre (DEEC)

Diamond Beneficiators accessing the DEEC during 2020/2021 (Table 1)

The diamond beneficiators have been given priority during tender viewing in the DEEC, this is in line with beneficiation strategy. In the year under review the DEEC services exceeded the planned performance. The table below shows a positive trend whereby the number of beneficiators is gradually increasing year after year. This is also attributed to a special tender that was facilitated for beneficiators only during the 4th quarter of 2021. During this period, beneficiators had the opportunity to compete for parcels amongst themselves and this yielded some positive results.

Clients accessing the DEEC (Table 2)

The DEEC saw a decline in the number of clients accessing the services during the period of 2020/2021.This reduction was as a result of interruptions relating to the scheduled business activities which were affected by the closure of global market and that resulted in fewer clients accessing the DEEC services.

Table 1

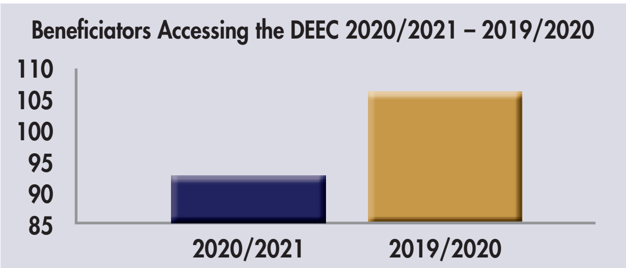
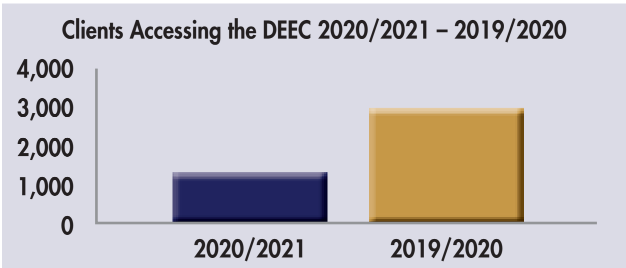


Table 2



ROUGH DIAMOND TRADE ACTIVITIES AT THE DEEC

Trade in the beginning of the financial year slowed down due to the office closure of most trading centres globally. However, it was observed that trade demand gradually started showing some improvements towards the end of quarter 2, 2021. As a result, the financial year ended on a positive note as trade showed some recovery both locally and internationally due to an increase in the trade of rough diamonds.

Table 1. Rough Diamonds offered for local sale by Diamond Producers, Dealers and Beneficiators

	FY2020/2021	FY2019/2020
Total carats received	4 901 382	5 735 070
Total $ received	746 605 270	896 393 947
Total carats of parcels sold and qualified to be exported	4 763 139	5 639 739
Total $ value of parcels sold and qualified to be exported	778 441 834	893 141 463
Total carats withdrawn	2 689	95 331

The above table indicates the rough diamond tender activities facilitated at the DEEC during the 2020/2021 financial year. The DEEC received 4,9million carats valued at approximately US$ 746 million which shows a decrease in the both volume and value offered locally at the DEEC when comparing to the previous financial year.

Rough Diamond Exports

During the calendar year 2020, South Africa traded with 11 KP participants, which resulted in exports of 7.7 million carats of rough diamonds, valued at more than US$1 billion. This trend indicates a decrease of 2.07% in the volume of rough diamonds traded when compared to 9.7 million carats valued at US$1.1 billion reported during the year 2019. In this year, 96% of the rough diamonds where exported to the European Union (32%), Botswana (32%) and the United Arab Emirates (32%) respectively whilst 4% was traded with Canada, India, Israel, Switzerland, Peoples Republic of China, Russian Federation, Thailand and the United States of America.

The table below demonstrates rough diamond exports of 2020 between South Africa and other KP Participants.

Table 2: Rough Diamond Exports: 2019 vs 2020 (Calendar Year)

Rough Diamond Exports				
	2020		2019	
Participant	Carats	Value ($)	Carats	Value ($)
Botswana	2,501,005	249,267,809	1 750,777	191 803,449
Canada	0.24	5	2	100
China PR	199	364,247	15,367	22 991,037
European Union	2,505,553	351,932,334	1 289,242	226 389,772
India	112,609	22,271,520	398,324	41 105,386
Israel	151,200	89,886,055	255,253	102 239,896
Namibia	0	0	38	57,193
Switzerland	3,689	1,267,931	83,944	85 593,961
Russian Federation	2,187	3,511,038	0	0
Thailand	2,236	194,048	2,039	1 333,589
United Arab Emirates	2,483,758	356,275,902	3 558,291	401 060,415
United States of America	2,366	2,889,887	1,423	3 893,087
Total	**7,764,802**	**1,077,860,776**	**735,4702**	**1,076,467,885**

Rough Diamond Imports

During the year 2020 South Africa imported 309 000 rough diamonds valued at more than US$ 354 million traded with 12 KP participants. The comparisons and analysis of statistical data for rough diamonds imports between 2019 and 2020 indicates a decrease of 50.91% in volume when compared to 629 000 imports in 2019. Throughout 2020, 67% of the rough diamonds were imported from the Israel (25%), Botswana (25%) and the United Arab Emirates (17%) whilst 33% was traded with the countries listed in the table on the next page.

The table below represents rough diamond imports of 2020 between South Africa and other KP participants.

Table 3: Rough diamond imports 2019 vs 2020 (Calendar Year)

Rough Diamond Imports				
	2020		2019	
Participant	Carats	Value ($)	Carats	Value ($)
Angola	448	315 567	539	357 096
Botswana	76 956	128 693 046	145 867	158 671 801
Brazil	0.41	1.18	1 195	183 612
Canada	3 319	108 640	71	1 570
China, PR	0	0	92	235 602
Congo, DR	643	12 401	3 194	300 165
European Union	53 531	51 710 150	288 639	17 119 927
India	8 927	166 924	1 168	541 358
Israel	77 297	23 055 848	14 846	19 948 279
Lesotho	0	0	14	5 774
Namibia	2 253	10 363 576	1 908	5 384 533
Sierra Leone	0	0	91	96 549
Switzerland	13 796	37 801 190	36 955	81 943 247
Tanzania	0	0	50	64 249
Thailand	0	0	104	112 671
United Arab Emirates	65 641	98 675 427	123 666	127 814 556
United States of America	6 251	3 932 475	7 166	16 361 566
Total	**309 062**	**354 835 245**	**625 565**	**429 142 555**

Calendar Year reporting is as per Kimberley Process requirements

Polished Diamond Exports

During the period under review, South Africa exported a total of 74 701 carats of polished, valued at approximately US$ 505 million. There was a decrease of 33.35% in the volume of diamonds exports received and declared during this period, when compared to the previous financial year. The local laboratories imported part of these diamonds for the purposes of being certified.

Table 4: Polished diamond exports

	FY2020/2021			FY2019/2020		
	Carats	Value (US$)	Rand Value (ZAR)	Carats	Value (US$)	Rand Value (ZAR)
Total	**74 701**	**505 558 536**	**8 113 262 894**	**111 928**	**777 549 055**	**11 566 681 993**

Polished Diamond Imports

During the period under review, the DEEC received and cleared a total of 67 929 carats of polished diamond imports, valued at approximately US$ 215 million. There was a decrease of 52.52% in the volume 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 re-exported back to their country of origin.

Table 5: Polished diamond imports

	FY2020/2021			FY2019/2020		
	Carats	Value (US$)	Rand Value (ZAR)	Carats	Value (US$)	Rand Value (ZAR)
Total	**67 929**	**215 898 105**	**3 477 847 160**	**143 076**	**456 670 281**	**6 759 242 391**

Synthetic Diamond Powder Imports

The DEEC received and cleared over 74 million of carats of synthetic diamonds powder, valued at approximately US$ 2 million. The synthetic diamond powder was imported for the purposes of manufacturing diamond tools.

Table 6: Synthetic diamond powder imports

	FY2020/2021			FY2019/2020		
	Carats	Value (US$)	Rand Value (ZAR)	Carats	Value (US$)	Rand Value (ZAR)
Total	**74 541 500**	**2 079 019**	**35 542 682**	**183 469 350**	**3 973 163**	**58 101 493**

Table 7: Synthetic diamonds imports

	FY2020/2021			FY2019/2020		
	Carats	Value (US$)	Rand Value (ZAR)	Carats	Value (US$)	Rand Value (ZAR)
Total	**178**	**39 723**	**628 416**	**326**	**128 766**	**1 921 502**

KIMBERLEY PROCESS CERTIFICATION SCHEME (KPCS)

During the 2020 calendar year, SADPMR oversaw the administration and implementation of KPCS and KP participation, by ensuring compliance with KPCS requirements and other relevant legislation.

Issuing of KPCS Certificates

During 2020 calendar year, 648 KP certificates for exports were issued to 11 Kimberley Process Participants, while 134 KP certificates were received from 12 KP member countries. This shows a significant decrease of 1021 in the number of KP certificates issued for exports and 121 in the number of certificates received during 2019 calendar year respectively.

Table 8: Certificates issued and received 2020

2020		2019	
Certificates Issued	Certificates Received	Certificates Issued	Certificates Received
648	134	1 669	255

Submission of quarterly reports (statistics)

Four (4) statistical reports were timeously submitted to the Kimberley Process working group on statistics.

Submission of 2020 Annual Report

The South African KP 2020 Annual Report was submitted in line with the Kimberley Processes minimum requirements.

ii) Sub programme: Government Diamond Valuation (GDV)

The GDV provides valuation services related to diamond exports, imports and diamond production offered to the State Diamond Trader (SDT) by producers in terms of the Diamonds Act 56 of 1986 as amended, to ensure that diamonds are traded at fair market value. The other function is to provide technical and expert opinion on diamonds in criminal investigations and judicial proceedings.

Diamond production in the country has increased by 17.55% compare to previous financial year (2019/20120). The increase is attributed to an increase in De Beers production, Venetia Mine which is actually at the last process of its rehabilitation process.

SDT diamond purchases increased by 91.60% from the previous financial year (2019/2020) 2020/2021. The increase was due to the high demand of rough diamonds by beneficiators due to the COVID-19 uncertainty. There was also an increase of 72.8% to the purchased price in 2020/2021 compared to 2019/2020, the increase is attributed to the amount of rough SDT being purchased.

Table1: Diamond Producers (in carats) of all unpolished diamonds verified by the GDV in terms of Section 59B of the Diamond Act

	FY2020/2021		FY2019/2020	
	Carats	Value ($)	Carats	Value ($)
Diamond production presented to the SDT	8 642 373.97	973 861 492.57	7 125 778.05	767 149 582.85
10% purchased by the SDT	323 014.52	46 029 198.75	27 111.07	12 540 337.07

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. Table 8 represents exhibits presented for valuation to the GDV by SAPS.

During 2020/2021 financial year the SAPS presented a total of 746 objects to the GDV for valuation compared to 4286 objects in the previous financial year. This shows a decrease of -3540 objects compared to 2019/2020. From 746 objects, 179 were found to be rough diamonds of 133.10 carats compare to 4286 objects in 2019/2020 which had 3682 confirmed rough diamonds of 595.47 carats. There is a decrease of 462.37 carats compared to 2019/2020.

Province	2020/21	Exhibits		Totals		2019/20	Exhibits		Totals	
		Diamonds	Non-diamonds	Carats	Value (ZAR)		Diamonds	Non-diamonds	Carats	Value (ZAR)
Gauteng	68	27	41	46.5	23 487.00	20	4	16	16.77	17 520.00
Free state	158	11	147	10.66	20 175.00	21	2	19	3.95	17 108.00
Northern Cape	467	133	334	55.08	877 015.00	4099	3633	466	538.38	299 633.00
Eastern Cape	0	0	0	0	0.00	2	2	0	3.35	5040
North West	45	4	41	20.86	814 401.00	28	1	27	1.5	194.00
Mpumalanga	0	0	0	0	0.00	0	0	0	0	0
KwaZulu Natal	0	0	0	0	0.00	4	4	0	2.62	3 820.00
Western Cape	8	4	4	0	54 283.00	112	36	76	28.9	84 284.00
Limpopo	0	0	0	0	0.00	0	0	0	0	0.00
Total	**746**	**179**	**567**	**133.1**	**1 789 361.00**	**4286**	**3682**	**604**	**595.47**	**427 599.00**

Strategy to overcome areas of underperformance
No underperformance

Linking performance with budgets
The Diamond Trade programmed reflects an overall spending of R13.5 million compared to the budget of R15.2 million. The under spending mainly emanates from the salary savings as a result of vacant posts and saving in inspection costs.

Programme	FY 2020/2021			FY 2019/2020		
	Budget R'000	Actual expenditure R'000	Under-expenditure R'000	Budget R'000	Actual expenditure R'000	Under-expenditure R'000
Programme 2: Diamond trade	15,223	13,570	1,653	14,352	13,593	759

PROGRAMME 3: REGULATORY COMPLIANCE

1. Purpose: To ensure compliance with the legislative requirements in the diamond and precious metals industries, to transform, improve competitiveness, sustainable development and improve job creation in these industries.

The programme comprises of the Licensing, Diamonds and Beneficiation, Precious Metals and Beneficiation and Transformation divisions.

1.1.1 Sub-Programme: Licensing
Purpose: To receive, process and issue diamond and precious metals licenses, permit and certificates in line with the Diamonds Act, 1986 and the Precious Metals Act, 2005.

Highlight: During the period under review, the division surpassed the adjusted targets by 37% to issue all beneficiation licenses applied by licensees and remained on target for diamond licence issued.

1.1.2 Sub-Programme: Transformation
Purpose: To verify compliance on transformation commitments as per the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 (herein referred to as the Mining Charter), by conducting inspection audits of existing licence holders and compiling reports on transformation in the diamond and precious metals industry.

Highlights: The challenges presented by the National lockdown in the country did not affect the divisions' ability to surpass their adjusted target by 39%. Furthermore, the division assisted thirty-one (31) black and female enterprises in developing themselves through projects facilitated by the division, coupled with the full compliance of the 130 licensees verified, all licensees complied with all the pillars of the Mining Charter.

1.1.3 Sub-Programme: Precious Metals and Beneficiation

Purpose: To ensure compliance with the Precious Metals Act, 2005 which involves conducting inspections relating to precious metals licences and applications for such licences. Secondly, to promote beneficiation though coordinating the implementation of the SADPMR Beneficiation Strategy. The SADPMR regulates the following precious metals, Gold (Au), Platinum (Pt), Ruthenium (Ru), Rhodium (Rh), Palladium (Pd), Osmium (Os), and Iridium (Ir).

Highlights: Considering the challenges presented, especially under the higher levels of the COVID-19 -enforced National Lockdown, the surpassing of the adjusted Inspections target by 83 percent was the highlight for the year under review. This allowed for over 300 precious metal licence and permit applications to be processed and granted. Another highlight was the record number of Export Approval Evaluations conducted in the period, which increased by over 100 percent to 26 from 12 in the previous year.

1.1.4 Sub-Programme: Diamonds and Beneficiation

Purpose: To ensure compliance with the Diamonds Act by conducting compliance inspections on business activities of diamond licensees, receiving, recording, monitoring and assessing of diamond transactions. The sub-programme also facilitates assistance to inactive diamond licensees.

Highlights: Inspections conducted by licence/permit type Table, indicates that amid the COVID-19 restrictions, a total of 511 inspections were conducted in the period under review compared to 844 in the previous year, which is a 39% decrease. Of these inspections, 164 related to new diamond licence applications, while 391 were follow-up inspections on existing licences. One joint inspection was conducted with law enforcement agencies to curb illicit trading. Ten (10) inactive diamond beneficiation licensees were assisted with securing viewing bookings at the DEEC and local Trading Houses to ensure access to rough diamonds, in which three (3) licenses managed to win/purchase diamond parcels for local beneficiation.

Institutional Outcomes

Job creation, skills development and value addition to diamond and precious metal industries
Compliance with legislation
Transformation in the diamond and precious metals industries entrepreneurs

Sub-programmes

Sub-programme	Output Indicators
Licencing	Percentage of licences issued within 60 days based on completeness of the applications (Precious Metals) Percentage of licences issued within 60 days based on completeness of the applications (diamonds). Percentage of Beneficiation license/ permits issued.
Diamond inspectorate and beneficiation	Number of inspections conducted (diamonds) Number of diamond joint inspections with law enforcement stakeholders Number of inactive diamond licenses assisted
Precious metals inspectorate and beneficiation	Number of export approval applications evaluated to cater for local demand Number of inspections conducted (precious metals) Number of Precious Metals joint inspections with law enforcement stakeholders
Transformation	Number of enterprise development facilitated including women and youth. Number of licensees assessed against their commitments Percentage of enforcement actions undertaken

Part A: Annual Performance Plan (Quarter 1) before re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
Job creation, skills development and value addition to diamond and precious metal industries	Licensing: Precious metals licenses issued	Issue licenses to enable Precious Metals trade	Establish baseline	Establish baseline	90%	8%	82% Under-achievement	The application process could not be finalized on all applications received due to the reduced office working days.	Due to COVID-19 access limitations, operations were realigned to work on reduced staff compliment at a given period. The indicator was also changed to meet the SMART principle.
	Jobs created, skills developed and value addition of diamonds	Issue licenses to enable diamond trade	Establish baseline	Establish baseline	90%	25%	65% Under-achievement	The application process could not be finalized on all applications received due to the reduced office working days.	Due to COVID-19 limitations, operations were realigned to work on reduced staff compliment at a given period. The indicator was also changed to meet the SMART principle.
	Local beneficiation of diamonds and precious metals	Issuing of Beneficiation license/ permits	90	Establish baseline	100%	100%	No deviation	None	Due to COVID-19 limitations, operations were realigned to work on reduced staff compliment at a given period. The indicator was also changed to meet the SMART principle.
Transformation in the diamond and precious metals industries entrepreneurs	Inclusivity and sustainability of HDP's within the diamond and precious metals Industry	Assess transformation commitments as per Mining Charter 2018	97	111	200	15	185 Under-achievement	Engagements with licensees were completed however due to lockdown not all requested documents were received to finalize the assessments.	Due to unavailability of licensees, physical inspections cannot be conducted due to COVID-19 regulations. The indicator was also changed to meet the SMART principle.

Part A: Annual Performance Plan (Quarter 1) before re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
	Established and developed HDP's entrepreneurs	Facilitate assistance of enterprise development in the diamond and precious metals sectors	Establish baseline	Establish baseline	5	0	5 Under-achievement	Target not reached due to unavailability of new entrants during lockdown level 4.	Output not revised
Compliance with legislation	Compliance in line with the legislation (Mining Charter Diamonds Act, Precious Metals Act, Diamond Export Levy Act)	Issue non-compliance notices	Establish baseline	Establish baseline	100%	0%	100% Under-achievement	Ongoing discussion with licensees on non-compliant matters to assist them to comply	Output not revised
Job creation, skills development and value addition to diamond and precious metal industries	Supply of unwrought/ semi-fabricated Precious Metals for local demand	Evaluate export approval applications made to cater for local demand	Establish baseline	Establish baseline	10	3	7 Under-achievement	Less export approval applications received	Output not revised
Compliance with Legislation	Comply with the requirements/ conditions of the license	Conduct inspections and provide report	782	756	790	38	752 Under-achievement	Due to the risk of infections during level 4 lockdown.	Due to unavailability of licensees, physical inspections cannot be conducted as a result of COVID-19 regulations. The indicator was also changed to meet the SMART principle.
	Curbing illicit trading in the precious metals industry	Disruptive / unannounced inspection reports	Establish baseline	Establish baseline	8	0	8 Under-achievements	Uncertainty on the availability of clients due to the Level 4 lockdown	Unannounced physical inspections cannot be conducted as a result of COVID-19 regulations. The indicator was also changed to meet the SMART principle.

Part A: Annual Performance Plan (Quarter 1) before re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021 until date of re-tabling	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations	Reasons for revisions to the Outputs/Output indicators/ Annual Targets
Job creation, skills development and value addition to diamond and precious metals industries	Access and active participation of HDP licensees at Trading houses	Identify and refer inactive licenses to participate Trading houses tenders	Establish baseline	Establish baseline	10	0	10 Under-achievements	Due to Level 5 and 4 lockdown restrictions on Tender Houses.	Inactive licensees cannot access diamond trading houses due to COVID-19 regulations The indicator was also changed to meet the SMART principle.
Compliance with Legislation	Comply with the requirements/ conditions of the license	Conduct inspections and provide reports	862	844	850	42	808 Under-achievements	Due to the risk of infections during level 4 lockdown.	Due to unavailability of licensees, physical inspections cannot be conducted as a result of COVID-19 regulations. The indicator was also changed to meet the SMART principle.
	Curbing illicit trading in the Diamond industry	Disruptive / unannounced inspection reports	Establish baseline	Establish baseline	8	1	7 Under-achievement s	Uncertainty on the availability of clients due to the Level 4 lockdown	Unannounced physical inspections cannot be conducted as a result of COVID-19 regulations. The indicator was also changed to meet the SMART principle.

Part B: Annual Performance Plan (Q2 to Q4) after re-tabling

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
Job creation, skills development and value addition to diamond and precious metal industries	Precious metals licenses issued	Percentage of licences issued within 60 days based on the completeness of the licence applications (Precious Metals)	New baseline	New baseline	60%	76%	16% Over-achievement	Due to the renewal cycle of licences
	Jobs created, skills developed and value addition of diamonds	Percentage of licences issued within 60 days based on the completeness of the licence applications (Diamonds)	New baseline	New baseline	60%	73%	13% Over-achievement	Due to the renewal cycle of licences
	Local beneficiation of diamonds and precious metals	Percentage of Beneficiation license/permits issued	90	194	63%	100%	37% Over-achievement	Over-achievement was due to prioritisation of beneficiation applications
		Number of enterprise development facilitated including women and youth	New output	Establish baseline	5	5	No deviation	None

Part B: Annual Performance Plan (Q2 to Q4) after re-tabling (continued)

Outcome	Output	Output Indicator	Audited Actual Performance 2018/2019	Audited Actual Performance 2019/2020	Planned Annual Target 2020/2021	**Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement 2020/2021	Reasons for deviations
Transformation in the diamond and precious metals industries entrepreneurs	Number of enterprise development facilitated including women and youth	Number of licensees assessed against their commitments	97	111	78	115	37 Over-achievement	Over-achievement due to increased number of requests received from Licencing division for renewal applications
Compliance with legislation	Compliance in line with the legislation (Mining Charter Diamonds Act, Precious Metals Act, Diamond Export Levy Act)	Percentage of enforcement actions undertaken	New baseline	100%	100%	0%	100% Under achievement	Ongoing discussion with licensees on non-compliant matters to assist them to comply
Compliance with legislation	Supply of unwrought/ semi-fabricated Precious Metals for local demand	Number of export approval applications evaluated to cater for local demand	New baseline	10	10	23	13 Over-achievement	The over-achievement is due to the backlog of applications being processed from level 5 and 4 of the National lockdown
Compliance with Legislation	Comply with the requirements/ conditions of the license	Number of inspections conducted within the precious metals industries	782	756	200	328	128 Over-achievement	It was deemed unsafe and highly risky to conduct inspections during the higher levels of the National lockdown
Compliance with Legislation	Comply with the requirements/ conditions of the license	Number of inspections conducted within the diamonds industries	862	844	200	469	269 Over-achievement	It was deemed unsafe and highly risky to conduct inspections during the higher levels of the National lockdown
	Curbing illicit trading in the precious metals industry	Number of Precious Metals joint inspections with law enforcement stakeholders	New baseline	New baseline	1	1	No deviation	None
	Curbing illicit trading in the Diamond industry	Number of Diamond joint inspections with law enforcement stakeholders	New baseline	New baseline	1	0	1 Under-achievement	Target achieved in Q1
Job creation, skills development and value addition to diamond and precious metals industries	Access and active participation of HDP licensees at Trading houses	Number of inactive diamond business engaged	New baseline	New baseline	2	10	8 Over-achievement	Due to the relaxation of lockdown restrictions, were more inactive licensees were assisted at the tender houses.

PROGRAMME PERFORMANCE

i) Sub-programme: Licensing

During the period under review there was a noticeable decrease in the number of diamond dealer's and diamond beneficiation licences, as well the number of diamond endorsements issued in 2020/2021 as compared to the previous financial year. There was an overall increase in the types of licences and certificates issued were attributed to in a number of authorised representatives.

Table 1: Diamond licences/permits issued

Diamond licences/permits	FY2020/2021		FY2019/2020	
Licence type	**Applications received**	**Licences issued**	**Applications received**	**Licences issued**
Diamond beneficiation	42	42	47	47
Diamond dealer	109	109	117	117
Diamond trading house	5	5	0	0
Diamond research	2	2	2	2
Temporary buyers permit	0	0	0	0
Diamond certificate	0	0	0	0
Authorised representative certificate	266	266	109	109
Diamond permit	23	23	21	21
Diamond endorsements	21	21	39	39
Total	**468**	**468**	**333**	**333**

Precious metals licences/permits issued

In the financial year 2020/2021, a total increase of 388 precious metals licenses, permits and certificates were issued as compared to 280 in the previous year. There was a significant increase, which was attributable to the number of precious metals jeweller's permit renewal applications received as illustrated on table 2.

Table 2: Precious metals licences/permits issued

Precious metals licences/permits	FY2020/2021		FY2019/2020	
Licence type	**Applications received**	**Licences issued**	**Applications received**	**Licences issued**
Precious metals refining	17	17	14	14
Precious metals beneficiation	8	8	10	10
Jeweller's permit	258	258	141	141
Special permit	10	10	11	11
Permit to import	15	15	16	16
Export approval	29	29	25	23
Precious metals certificate	4	4	5	5
Precious metals endorsement	47	47	57	57
Total	**388**	**388**	**280**	**280**

Diamond and precious metals licences issued based on HDP ownership

During the period under review a total of 434 principle[1] licences were issued of that total, 94 licences were issued to 100% HDP owned entities as compared to the total of 83 issued in the 2019/2020 financial year. In the period under review, 23 HDP females and 71 HDP males issued with licenses as illustrated on table 3 below.

Table 3: Diamond and precious metals licences issued based on HDP ownership for 2020/2021

Type of licenses	No. of licenses	100% HDP ownership		26% HDP shareholding	
		Male	**Female**	**Male**	**Female**
Diamond dealers	109	66	5	25	13
Diamond beneficiation	42	20	5	11	6
Jeweller's permit	258	7	5	3	4
Precious metals beneficiation	8	1	1	0	0
Precious metals refining	17	7	2	4	4
Total	**434**	**101**	**18**	**43**	**27**

ii. Sub programme: Diamond Inspectorate and Beneficiation (Dr Lenka)

Inspections conducted by licence/permit type

During the year 2020/21, a total of 517 diamond inspections were conducted. Of these inspections, 164 were related to new diamond licence applications, while 353 were follow-up inspections on existing licences. The total inspections conducted for the period under review has decreased by 42% as compared to 844 of the previous financial year. This decline is attributable to the lockdown period resulting from the Covid-19 pandemic situation.

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

Licence/permit type	No. of inspections 2020/2021		No. of inspections 2019/2020	
	New premises inspections	Follow-up inspections	New premises inspections	Follow-up inspections
Dealing licence	120	103	138	236
Beneficiation licence	38	95	77	133
Trading house licence	4	95	10	153
Research licence	2	0	10	0
Producer permit	0	15	0	21
Import/export comfort letters	0	45	0	66
Total	**164**	**353**	**235**	**609**

Diamond beneficiation comparison and trend

South Africa's diamond beneficiation for the period under review was recorded at 154 076 carats, which was slightly lower than the 168 524 carats recorded to be beneficiated in 2019/2020 financial year. The decrease is attributed to the lower purchases of rough diamonds by beneficiators.

Table: Diamond beneficiation trend (financial years)

Diamonds beneficiated (carats) 2020/2021	Diamond beneficiated (carats) 2019/2020
154,076	168,524

iii Sub-programme: Transformation

The key focus of the sub-programme is to verify the progress of diamond and precious metals licensees' commitments against the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018.

During the year under review, a total of 130 diamond and precious metals licensees were verified as compared to 111 in the previous year. The increase in the number of verifications is attributable to an increased number of renewal applications during the year under review. 92% of licensees verified were compliant and 8% were non-compliant. Transformation issued non-compliance notices to non-compliant licensees in order to enforce compliance with the requirements of the Mining Charter.

Table 6: Breakdown of licensees verified against their commitments

Licence/permit type	No. of licensees verified 2020/2021	No. of licensees verified 2019/2020
Diamond dealers	44	33
Diamond beneficiation	19	18
Jeweller's permit	38	39
Precious metals beneficiation	2	3
Precious metals refining	27	18
Total verified	**130**	**111**

iv) Sub programme: Precious Metals Inspectorate and Beneficiation

Precious Metals inspections

In the financial year 2020/2021, only a total of 366 premises inspections were conducted, which was less than half the number of inspections conducted in FY2019-20, and this was due to the impact of the COVID-19 pandemic and its associated National Lockdown and protocols. Of the grand total of 366 premises inspections, 264 were related to new precious metal licence/permit applications, while the remaining 102 were follow-up inspections relating to existing licence/permit holders (as shown in Table 1). The total number of premises inspections conducted represented a 52% decrease compared with the previous year wherein 756 inspections were conducted, comprising 261 new premises inspections and 495 follow-up inspections. It should be noted that due to the COVID-19 enforced National Lockdown and associated protocols, all inspections were conducted by remote, electronic means and media such as through the use of video calls, Google Maps™, photos and signed declarations.

Furthermore, Table 1 indicates that most premises inspections conducted related to applications for Jeweller's Permits (224 inspections) and existing Jeweller's Permits (89), followed by inspections related to refining licences and beneficiation licences.

Jeweller's Permit -related inspections dominate inspections as jewellery manufacturing is the main activity relating to precious metals, in terms of the number of participants in the domestic industry, followed by refining and fabrication of non-jewellery precious metal products. In FY2020-21, the focus was on inspections relating to applications for new permits and licences, while in pre-COVID-19 times, follow-up inspections dominated inspections.

Table 7: Breakdown of premises inspections done by licence/permit type

Licence/permit type	No. of inspections 2020-2021		No. of inspections 2019-2020	
	New premises inspections	Follow-up inspections	New premises inspections	Follow-up inspections
Refining Licence	20	13	23	43
Beneficiation Licence	10	0	14	50
Jeweller's Permit	224	89	209	402
Special Permit	10	0	15	0
Total	**264**	**102**	**261**	**495**

Precious Metals beneficiation

The SADPMR recorded South Africa's total gold jewellery fabrication at 683 kg in FY2020-21, which was significantly down on the 987 kg recorded last year (see Table 3). This was especially due to the higher levels of the National Lockdown (Alert Levels 5 and 4) during April to June 2020. During the hard Lockdown of April 2020, no manufacturing businesses were allowed to operate, whereas from May to June (Alert Level 4 and 3) there was a gradual ramp-up of employee levels to 50 percent.

The use of platinum in jewellery declined to 29 kg from 34 kg in the previous year. Platinum-group metal (PGM) fabrication is dominated by the fabrication of catalytic converters. The SADPMR estimates PGM fabrication at approximately 26 tons in 2020-21, down marginally compared with 2019-20 (Table 3). This sector was also affected by the COVID-19 pandemic, but less so than the jewellery fabrication industry, which suffered due to the demand slump.

Table 8: Precious metals fabrication, 2020-2021 and 2020-2021

Year	PGM jewellery fabrication (kg)	Gold jewellery fabrication (kg)	PGM fabrication (tons)
2020-21	29	683	26
2019-20	34	987	27

4.3.2 Strategy to overcome areas of underperformance

Internal process will be realigned to deal with process of licensing application within the legislative -the effect of the global pandemic

4. Linking Performance with Budgets

In performing the key activities, the Regulatory compliance programme spent R24.4 million compared to the budget of R28.9 million. The under spending mainly emanates from the salary savings as result of vacant posts and savings in travel, inspection and domestic travel costs.

Programme	FY2020/2021			FY2019/2020		
	Budget R'000	Actual expenditure R'000	Over-expenditure R'000	Budget R'000	Actual expenditure R'000	Over-expenditure R'000
Programme 3: Regulatory compliance	28,871	24,440	4,431	26,944	26,552	392

PART C
GOVERNANCE

Members of the Board

Mr Abiel Mngomezulu
(Board Chairperson)

Mr Cecil Khosa
(CEO)

Major-General Hazel Mokoena
(Member)

Mr Kholofelo Serokane
(Member)

Ms Mmadikeledi Malebe
(Member)

Mr Ernest Blom
(Member)

Adv. Nicolaas Van Rooyen
(Member)

Ms Kanyisa Macingwane
(Member)

Mr Mandla Mnguni
(Member)

Ms Mpho Mosing
(Member)

Mr Yershen Pillay
(Member)

Mr Nevhutanda
(Member)

Ms Zikalala Mvelase
(Member)

Mr Senna Mokoena
(Member)

Mr Warren Wayne Adams
(Member)

Ms Lebogang Madiba
(Member)

Mr Nkuchong Mothabe
(Acting Company Secretary)

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 PFMA, 1999 as a Schedule 3A state entity.

The 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 CEO as the accounting officer.

PFMA 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 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 on Mineral Resources and Energy (PPC) reviews and oversees all functions and duties of the SADPMR, including financial matters.

The SADPMR presented its annual report for the financial year 2020/21 to the PPC on the 20th of May 2020.

3. EXECUTIVE AUTHORITY

The SADPMR accounts to the Minister of Mineral Resources and Energy as the executive authority of the entity. The SADPMR submitted the following compliance reports as required by the PFMA:

2020/21	Documents submitted	Due date for submission	Date submitted by the SADPMR	Status
Quarter 1	Performance and financial results	31 August 2020	28 August 2020	Complete
Quarter 2	2019/2020 Budget and strategic plan	31 October 2020	30 October 2020	Complete
	2018/2019 annual report	31 October 2020	30 October 2020	Complete
	Performance and financial results	31 October 2020	30 October 2020	Complete
Quarter 3	Performance and financial results	31 January 2021	30 January 2020	Complete
Quarter 4	Performance and financial results	30 April 2021	30 April 2020	Complete

4. THE ACCOUNTING AUTHORITY (THE BOARD)

The SADPMR Board is duly appointed by the Minister of Mineral Resources and Energy in terms of section 6 of the Diamonds Act, as amended, as the Accounting Authority of the entity.

The Board comprises non-executive members and the CEO 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, in so doing, the objects of the SADPMR are achieved. The Board is responsible for the strategic direction and 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, PFMA, 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 its strategic objectives as outlined in these plans.

4.2 Composition of the Board

The Board members of the SADPMR are non-executive directors, except the CEO, who serves as ex officio member. The Board is appointed by the Minister of Mineral Resources and Energy in accordance with the provisions stipulated in section 6 of the Diamonds Act, as amended. The Board was appointed with effect from 1 November 2020 to November 2023.

Name	Designation (in terms of the Board structure)	Date appointed	Qualifications	Area of expertise	Board directorship (list the entities)	Other committees or task teams (e.g. audit committee/ ministerial task team)	No. of meetings attended
Mr A Mngomezulu	Board Chairperson	1 Nov 2020	M.Sc. (Engineering in Mining) B. Sc Hons (Geology) B.Sc.	Mining Value Chain & Governance	Merafe Resources, Tshikululu Trust	Chairpersons Committee	2
Mr Ernest Blom	Non-Executive Board Member	1 Nov 2020		Diamond Industry	Ernest Blom Diamonds, Ernest Blom Diamonds Cutting Works	Finance, Audit and Risk Committee Transformation and Licensing Committee (Additional Member)	2
Ms Ntombifuthi Zikalala-Mvelase	Chairperson of HR, Remuneration and Ethics Committee	1 Nov 2020	LLB B Proc	Legal	ACSA, Limpopo Jewellery Business Incubator, JIA Piazza Park SOC, Mintek SOE, AU Jewellery (Ply) Ltd	HR, Remuneration Committee and Chairpersons Committee	5
Ms Kanyisa Macingwane	Non-Executive Board Member	1 Nov 2020	MBA Post Graduate Diploma (Management) B. Com	Public Policy and Regulation		Finance, Audit and Risk Committee	3
Mr Kholofelo George Serokane	Non-Executive Board Member	1 Nov 2020	National Diploma in Jewellery manufacturing and designing	Jewellery manufacturing and designing	Kholo Jewellery Manufacturing, Lekobjane Business Enterprise, Badirammogo Skills Development, Phuthanaga Projects NPO	Transformation and Licensing Committee	2
Ms Mpho Mosing	Non-Executive Board Member	1 Nov 2020	Masters Degree in Public Management, LLB Hons Degree	Legal	State Diamond Trader SOE	Transformation and Licensing Committee	2
Mr Warren Wayne Adams	Chairperson of Finance, Audit and Risk Committee	1 Nov 2020	MBA (Corporate Treasury Function in SA) B. Compt,	Finance	N/A	Finance, Audit and Risk Committee	3
Mr Yershen Pillay	Non-Executive Board Member	1 Nov 2020	MBA Postgraduate Diploma BSoc Sc	Information Technology	N/A	HR, Remuneration and Ethics Committee	4
Adv Nicolaas Van Rooyen	Non-Executive Board Member	1 Nov 2020	LLB Degree BA Law Certificate Labour Dispute Resolution Practice	Legal and Labour	N/A	HR, Remuneration and Ethics Committee	4

Name	Designation (in terms of the Board structure)	Date appointed	Qualifications	Area of expertise	Board directorship (list the entities)	Other committees or task teams (e.g. audit committee/ ministerial task team)	No. of meetings attended
Major-General Hazel Mokoena	Non-Executive Board Member	1 Nov 2020	Hons (Safety and Security Executive Development B-Tech (Policing) Diplomas (Policing Criminal Justice) Diploma (Forensic Investigation)	Legal Enforcement	State Diamond Trader	Transformation and Licensing Committee	2
Ms Lebogang Madiba	Non-Executive Board Member	1 Nov 2020	Masters in Business Leadership Msc Finance in Economic Policy B. Com Hons (Economics) B. Com Executive Leadership Development Programme	Finance	N/A	Board Member	1
Mr Senna Mokoena	Non-Executive Board Member (Main)	1 Nov 2020	National Diploma Internal Auditing Labour Law Certificate	Labour	N/A	HR, Remuneration and Ethics Committee	4
Mr Gontse Mphake	Non-Executive Board Member (Alternate)	1 Nov 2020	N/A	Labour	N/A	HR, Remuneration and Ethics Committee	0
Mr Charles Nevhutanda	Chairperson of Transformation and Licensing Committee	1 Nov 2020	B. Bus Sc (Hons Economics) CAIB (SA)	Finance	N/A	Transformation and Licensing Committee	3
Mr Raymond Paola	Non-Executive Board Member (Alternate)	1 Nov 2020	BCom (Accounting)	Finance	N/A	Transformation and Licensing Committee	0
Ms Mmadikeledi Malebe	Non-Executive Board Member (Main)	1 Nov 2020	B. Iuris LLB	Mining & Legal	N/A	Board Member	0
Ms Rebone Nkambule	Non-Executive Board Member (Alternate)	1 Nov 2020	B.Juris Certificate in Prospecting & Mining Law Executive Development Programme Masters in Extractive Industry in Africa	Mining	Petroleum Agency of SA	Board Member	0
Mr Mandla Mnguni	Non-Executive Board Member – CEO State Diamond Trader	1 Nov 2020	Masters(Philosophy in Corporate Governance) B Admin Hons B Admin	Governance	N/A	Board Member	1

Name	Designation (in terms of the Board structure)	Date appointed	Qualifications	Area of expertise	Board directorship (list the entities)	Other committees or task teams (e.g. audit committee/ ministerial task team)	No. of meetings attended
Mr Cecil Khosa	Chief Executive Officer	1 July 2019	Masters (Earth Sciences in Mining) BA Hons (Geography), BA (Geography) MDP	Earth Sciences and Mining	Jomela Consulting (Pty) Ltd	All Committees	5
Mr Frank Sinky Mahlangu	Independent Member: Finance, Audit and Risk Committee	29 Jan 2021	LLB (Currently) B. Com (Economics and Business Management)	Finance	N/A	Finance, Audit and Risk Committee (Independent Member)	0

Board Committees

Committee	No. of meetings held	No. of members	Names of members
Transformation and Licensing Committee	1	5	Mr C Khosa, Mr C Nevhutanda, Ms M Mosing, Major General H Mokoena and Mr G Serokane.
HR, Remuneration and Ethics Committee	1	5	Mr C Khosa, Ms F Zikalala-Mvelase, Adv N Van Rooyen, Mr Y Pillay and Mr S Mokoena.
Finance, Audit and Risk Committee	1	5	Mr C Khosa, Mr W Adams, K Macingwane, Mr E Blom and Mr F Mahlangu (Independent Member).
Chairpersons Committee	1	5	Mr C Khosa, Mr A Mngomezulu, Mr C Nevhutanda, Mr W Adams and Ms F Zikalala-Mvelase

The Transformation and Licensing Committee:
Transformation and Licensing Committee oversees the functions of the SADPMR as described in the following pieces of legislation, regulations and guidelines:

- The Diamonds Act No 56 (Act 56 of 1986), as amended
- Precious Metals Act No 37 (Act 37 of 2005)
- Diamond Export Levy Act No 15 (Act 15 of 2007)
- Diamond Export Levy Administration Act No 14 (Act 14 2007)
- Kimberley Process Scheme Statute
- Mining Charter of 2018
- SADPMR Beneficiation Strategy

Human Resources, Remuneration and Ethics Committee:
Monitoring the effectiveness and applicability of all HR policies, Codes of Practices, Employment Reports, Employee wellness and occupational health and safety matters. Committee review the developments of codes of practice in relation to remuneration and advising the Board on issues arising from them. The committee further advise the Board on all Labour Relations and Litigations, which may have an impact on the entity as well as the shareholder. The committee monitors selection and recruitment of executive managers as well as the CEO's position as contained in the SADPMR Recruitment and Selection policy. Monitoring and overseeing SADPMR marketing strategy to ensure healthy relationship with both internal and external stakeholders, including public relations and communication. Advice the Board on ethics related matters and recommend appropriate interventions for implementation by the management of the Regulator.

The Finance, Audit and Risk Committee
The main purpose of the Finance, Audit and Risk Committee is to support the functions of the SADPMR as described on the Public Finance Management Act, (PFMA). The committee is to ensure that:

There is an alignment between the activities of the SADPMR to the provisions contained in the PFMA. The committee has oversight over SADPMR financial affairs, which includes operational planning and capital budgeting.

The overall objective of the Finance, Audit and Risk Committee in relation to Audit and Risk matters is to assist management with their responsibility of creating and maintaining an effective control environment within the Regulator, including financial control, accounting systems and reporting, as well as identifying material risks and giving them the required attention.

The Audit Committee Charter is drawn in terms of paragraph 3.1.8 of the Treasury Regulations read with section 77 of the PFMA to assist the Board in relation to finance and associated matters.

Remuneration of board members

Name	Remuneration (R)	Other allowance (R)	Other re-imbursement* (R)	Total (R)
Mr Abiel Mngomezulu	39,564	–	26,150	65,714
Mr Ernest Blom	25,484	–	–	25,484
Ms Ntombifuthi Zikalala-Mvelase	31,593	–	8,184	39,777
Ms Kanyisa Macingwane	25,484	–	–	25,484
Mr Kholofelo George Serokane	20,518	–	–	20,518
Ms Mpho Mosing	20,518	–	–	20,518
Mr Warren Wayne Adams	29,110	–	–	29,110
Mr Yershen Pillay	–	–	–	–
Adv Nicolaas Van Rooyen	23,001	–	4,966	27,967
Major–General Hazel Mokoena	–	–	–	–
Ms Lebogang Madiba	–	–	–	–
Mr Senna Mokoena	25,484	–	4,966	30,450
Mr Gontse Mphake	–	–	–	–
Mr Charles Nevhutanda	–	–	–	–
Mr Raymond Paola	–	–	–	–
Ms Mmadikeledi Malebe	–	–	–	–
Ms Rebone Nkambule	–	–	–	–
Mr Mandla Mnguni	–	–	–	–
Mr Cecil Khosa	–	–	–	–
Mr Frank Sinky Mahlangu	–	–	–	–

** Other Board activities include fees for attending training, events and other activities, etc.*

5. RISK MANAGEMENT

The Board of the SADPMR, through its Finance, 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, an internal Risk Management Steering Committee is in place at the SADPMR, which committee comprises of senior management. This committee ensures that the SADPMR risk management and internal control systems always remain adequate and effective.

Internal Audit and Finance, Audit and Risk Committee

Key activities of Internal Audit:

- 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 provide assurance that the internal control systems of the SADPMR are effective, efficient and that controls are implemented as required by section 51 and 77 of the PFMA, under the guidance of the Finance, Audit and Risk Committee of the Board.

The table below indicates the audit engagements conducted by Internal Audit:

No.	Audit plan engagements	Status and completion period
1	Human Resources	Completed – Quarter 2
2	Regulatory Compliance, (Licencing, Diamond inspectorate, Precious metals and beneficiation)	Completed – Quarter 2
3	Diamond Trade (The DEEC, GDV, Security Risk Management)	Completed – Quarter 4
4	Finance (Supply chain management, Asset management, Revenue and expenditure)	Completed –Quarter 4
5	Performance information (quarterly review)	Completed – (quarterly)
6	Action plan on Auditor-General queries (FY 2018/2019)	Completed –Quarter 4

Key activities of the Finance, Audit and Risk Committee are:

- review financial statements for completeness, accuracy and to ensure they comply with disclosure requirements
- review the risk management framework for identifying, assessing, monitoring and managing significant risks
- assess 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 regulator
- monitors the effectiveness and independence of the internal audit function
- reviews significant findings, recommendations and corrective actions recommended by internal and external audit, together with the responses and action plans of management

Objectives of Finance, Audit and Risk Committee

The overall objective of the Finance, Audit and Risk 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.

Name	Designation (in terms of the Board structure)	Date appointed	Qualifications	Area of expertise	Board directorship (list the entities)	Other committees or task teams (e.g. audit committee/ ministerial task team	No. of meetings attended
Mr Warren Wayne Adams	• Chairperson of Finance, Audit and Risk Committee	1 Nov 2020	• MBA (Corporate Treasury Function in SA) • B. Compt	Finance	N/A	• Finance, Audit and Risk Committee	3
Ms Kanyisa Macingwane	• Non-Executive Board Member	1 Nov 2020	• MBA • Post Graduate Diploma (Management) • B. Com	Public Policy and Regulation		• Finance, • Audit and Risk Committee	3
Mr Ernest Blom	• Non-Executive Board Member	1 Nov 2020		Diamond Industry	Ernest Blom Diamonds, Cutting Works	• Finance, Audit and Risk Committee • Transformation and Licensing Committee (Additional Member)	3
Mr Frank Sinky Mahlangu	• Independent Member: Finance, Audit and Risk Committee	29 Jan 2021	• LLB (Currently) • B. Com (Economics and Business Management)	Finance	N/A	• Finance, • Audit and Risk Committee	0

6. FRAUD AND CORRUPTION

The SADPMR developed and implemented Fraud Prevention Plan, to date more than 40 percent of employees have attended the fraud prevention workshops and training. The workshops were focusing on fraud and corruption awareness in assisting employees to understand the meaning of fraudulent and corrupt behaviour. The training assisted employees to understand issues involved in making ethical judgements and also communicate the implications of unethical behaviour and its impact for individuals, the workplace and professional relationships to SADPMR.

In order to protect the identity of Whistle Blowers, the SADPMR has partnered with the Public Service Commissioner in fighting fraud and corruption. The Regulator is using the National Anti-Corruption Hotline (number: 0800 701 701), which is intended to protect the integrity of the fraud and corruption reporting process. The Whistle Blowing procedures were implemented in terms of the Protected Disclosures Act, which guarantees protection to employees against victimisation following disclosure of fraudulent activity by employees, and is encouraging and enables the employees to raise serious concerns without fear of victimisation.

In the current financial year, there were no reported fraud and or corruption cases. Normally the identification of cases comes from recovery by public, employees, internal or external Auditors. All identified cases are subjected to investigations. That is also followed by referral to external relevant law enforcement agencies where applicable. Assessments of internal controls are also conducted in the areas where the fraud and corruption risk are high.

Managers are required to ensure that losses or damages suffered by the divisions as a result of all reported acts committed by an employee or any other person are recovered from such an employee or other person if he/she is found to be liable for such losses in terms of the applicable internal policy.

7. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

The SADPMR continues to implement the contingency plan and the main focus for this year was emergency evacuation drills and Occupational Health and Safety audits. These activities assist the entity to provide proper risk assessment control measures.

There were no Health Safety and Environmental issues that affected the Entity in the year under review. The prevalence of COVID-19 had a negative effect on employees but to date all employees who were reported to have tested positive have all recovered

8. COMPANY SECRETARY

The Board of the SADPMR is appointed in terms of section 6 of the Diamonds Act, as amended, and is assisted by the Company Secretary. The Company Secretary is responsible for the following on behalf of the Board:

- annual schedule and compliance calendar
- overall administrative support and record keeping of all proceedings of meetings
- advice and guidance on corporate governance matters
- continuance training on corporate governance principles

The above function is carried out in accordance with the Diamonds Act, PFMA and King Report IV on Principles of Good Corporate Governance. The Company Secretary ensures that the Board reviews and approves all quarterly and annual performance reports, quarterly and annual financial results, five-year Strategic Plans, and the mid-term expenditure framework and Annual Report. It is the responsibility of the Company Secretary to submit the approved documents to the executive authority, as required by the PFMA.

PART D
HUMAN RESOURCES MANAGEMENT

1. INTRODUCTION

The focus of the Human Resources division in the year under-review were at percentage of compliance with the WSP requirements, number of new bursaries awarded, number of young graduates recruited into the Internship Programme, percentage of signed performance agreements and work plans facilitated, number of bi-annual performance assessments facilitated, number of wellness programmes events / activities facilitated, number of wellness programme interventions coordinated, number of employee recognition event coordinated, number of organisational culture intervention coordinated, number of leadership development programmes coordinated and lastly on number of women, and youth empowerment skills development facilitated for internal staff.

The following were the highlights during 2020/2021: The recruitment of General Manager Regulatory Compliance was concluded in February 2021, and the successful candidate was appointed with effect from 1 April 2021, recruitment of non-strategic management level was put on hold due to budget constraints and performance bonus was also not implemented in all occupational levels. In addition, nine interns were recruited, comprising of six males and three females to acquire on-job skills in core and support divisions.

HR continues to play a critical role within the SADPMR by developing its employees' skills levels. Nine employees in core and support divisions were awarded staff bursary to study in various fields of academy. The SADPMR still maintained sound labour relations with organised labour, despite negative economic impact to the well being of employees due to COVID-19. By 31 March 2021 employer was sitting on 08 reported COVID-19 Cases with 100% recovery.

2. HUMAN RESOURCES OVERSIGHT STATISTICS

2.1 Personnel Cost by programme/activity/objective

Table: 1 illustrates the personnel cost per programme. The total number of employees includes 9 Interns, and 3 terminated employees.

Table: 1

Programme	Total expenditure for the entity	Personnel expenditure	Personnel expenditure as a % of total expenditure (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	70,644	44	63.6%	64	701
Diamond Trade	13,570	12	94.5%	26	493
Regulatory Compliance	24,423	23	96%	39	601

2.2 Personnel Cost by Salary Band

Table 2, demonstrate the personnel costs per salary band.

Table: 2

Level	Personnel expenditure	Personnel expenditure as a % of total cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	9,972	12.2%	5	1 994
Senior Management	10,329	12.7%	8	1 291
Professional Qualified	27,375	33.6%	31	883
Skilled	23,937	29.4%	45	531
Semi-skilled	8,124	10%	33	246
Unskilled	1,705	2.1%	7	243
Total	**81,446**	**100%**	**129**	**5 190**

*The total number of employees includes 9 Interns, and 3 terminated employees.

2.3 Performance Rewards

The table below illustrates the percentages of the performance rewards paid to employees, from the personnel expenditure.

Table: 3

Level	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel costs (R'000)
Top Management	0	9	0%
Senior Management	0	10	0%
Professional Qualified	0	27	0%
Skilled	0	23	0%
Semi-skilled	0	8	0%
Unskilled	0	1	0%
Total	**0**	**78**	

2.4 Training Cost

The table below shows the personnel training and bursaries expenditure per programme.

Table: 4

Programme	Personnel expenditure (R'000)	Training expenditure (R'000)	Training expenditure as a % of personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Administration	44,919	368	0,8%	29	12
Diamond Trade	12,824	74	0,6%	9	8
Regulatory Compliance	23,449	195	0,8%	22	8

2.5 Internship Programme

Table 5 on the next page illustrates the total number of intern appointments for 12 months internship programme. In total nine interns were appointed in October 2020.

Table: 5

	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Internship Programme	6	0	0	0	3	0	0	0	0	0	**9**

2.6 Employment and vacancies

Table 6 indicates the number of approved, filled, and vacant positions per programme. The approved posts in the 2020/2021 financial year is 129. In addition, vacant posts were advertised internally and externally. In the new financial year employer will pursue all the processes to fill the strategic posts.

Table: 6

Programme	2020/2021 No. of employee (R'000)	2020/2021 Approved posts	2020/2021 No. of employees	2020/2021 Vacancies	% of vacancies
Administration	44,919	66	60	6	9.1%
Diamond Trade	12,824	24	23	1	4.2%
Regulatory Compliance	23,449	39	34	5	12.8%

2.7 Workforce profile

As of 31 March 2021, the employment equity staffing ratios stood at 98.3%, blacks to 1.7% whites; 58.9% females to 41,1% males; and 47.9% core function to 48.7% support function staff. The SADPMR headcount is 117 employees as indicated in table 7 on the next page.

Table: 7

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	0	0	0	1	1	0	0	0	0	**5**
Senior management	3	0	1	0	3	0	0	0	0	0	**7**
Professionally qualified and experienced specialists and mid-management	15	0	1	0	13	1	0	1	0	0	**31**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	13	0	0	1	25	2	2	0	0	0	**43**
Semi-skilled and discretionary decision making	9	0	0	0	14	1	0	0	0	0	**24**
Unskilled and defined decision making	2	0	0	0	5	0	0	0	0	0	**7**
Total permanent	45	0	2	1	61	5	2	1	0	0	**117**
Temporary employees	0	0	0	0	0	0	0	0	0	0	**0**
Grand total	45	0	2	1	61	5	2	1	0	0	**117**

**The total number of 117 in the above table excludes 9 interns*

2.8 Employment changes

Table 8 explains that the number of full-time personnel employed at the beginning of the financial year was 119, terminations was 3, appointments at the end of the financial year was 1 as per salary band. Interns and contract employee are not included.

Table: 8

Salary band	Employment at beginning of period	Appointments	Terminations	Employment at end of period
Top Management	5	0	0	5
Senior Management	8	0	1	7
Professional Qualified	30	1	0	31
Skilled	44	0	1	43
Semi-skilled	25	0	1	24
Unskilled	7	0	0	7
Total	**119**	**1**	**3**	**117**

2.9 Reasons for staff leaving

Table 9 demonstrates the number of terminated personnel during the year under review. Two staff members left the employer due to two resignations one death. The strategic vacated posts will be filled in the new financial year.

Table: 9

Reason	Number
Death	1
Resignation	2
Dismissal	0
Retirement	0
Ill health	0
Expiry of contract	0
Other	0
Total	**3**

2.10 Labour Relations: Misconduct and Disciplinary Action

Table 10 illustrates the total number of corrective measures during the year under review.

Table: 10

Nature of disciplinary action	Number
Verbal warning	0
Written warning	2
Final written warning	0
Dismissal	0
Suspension	3

FEMALES IN THE ORGANISATION

During the year under review, the entity had a total of 61 African females. The figure represents 58% of employees employed within the SADPMR. The current status of female employees exceeds the national target of 50%. Notwithstanding the achievements by the entity, there are certain occupational levels such as top and senior management that require to be filled with female candidates. The entity endeavours to improve on the above status.

YOUTH IN THE ORGANISATION

By the end of March 2021, the entity had achieved a 14,52% of employees who fall within the youth category. The aforementioned achievement is above the national target of 5%. These youth employees are spread across all divisions of the entity. Furthermore, during the year under review, the SADPMR recruited 10 learners into the internship programme. All the learners were also part of the youth category. There is an intention to increase the number of youths appointed within the entity.

PEOPLE WITH DISABILITIES IN THE ORGANISATION

In the case of employees with disabilities, the SADPMR have 1 African Male in Semi-skilled level and the target is on 2 females in Skilled and Semi-skilled. The target was not achieved during the year under review. The entity will be employing different strategies to attract and retain people with disabilities.

PART E

FINANCIAL INFORMATION

Report of the Auditor-general to parliament on South African Diamond and Precious Metals Regulator

Report of the auditor-general to Parliament on South African Diamond and Precious Metals Regulator

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

1. I have audited the financial statements of the South African Diamond and Precious Metals Regulator set out on pages 58 to 84, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows and budget statement for the year then ended, as well as 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 2021, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Diamonds Amendment Act 29 of 2005 (DAA).

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 my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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.

An uncertainty relating to the future outcome of litigation

7. With reference to note 28 to the financial statements, the public entity is the defendant in various lawsuits. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Material impairment – Statutory receivables

8. As disclosed in note 7 to the financial statements, the statutory receivables balance has been impaired. The allowance for impairment of statutory receivables amounts to R3 413 790 (2019-20: R1 679 819) which represents 50% (2019-20: 36%) of statutory receivables. The contribution to the allowance for impairment was R1 733 971 (2019-20: R1 398 977).

Responsibilities of the 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 the SA Standards of GRAP and the requirements of the PFMA and the DAA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements 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 public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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 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

Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My

procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 3 – Regulatory compliance	29 – 37

16. I performed procedures to determine whether the reported performance information was properly presented and whether performance as 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 information to determine whether it was valid, accurate and complete.

17. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

Programme 3 – Regulatory compliance

Various indicators

18. The method of calculation for achieving the planned indicators listed below were not clearly defined for reported achievements against the annual performance plan before re-tabling.

Indicator description	Target
Issue licenses to enable Precious Metal trade	90%
Issue licenses to enable Diamond trade	90%

Various indicators

19. The source information for achieving the planned indicators listed below were not clearly defined for reported achievements against the annual performance plan before re-tabling.

Indicator description	Target
Conduct inspection and provide report	790
Disruptive/Unannounced inspection reports	8
Conduct inspection and provide report	850
Disruptive/Unannounced inspection reports	8

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 10 to 37 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness of the reported performance information in paragraphs 18 to 19 of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Programme 3 Regulatory compliance. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness of the reported performance information. Those that were not corrected are reported above.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

25. 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 the PFMA.

26. Material misstatements of provisions, budget statement and statement of cash flows identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

27. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R9 545 199 as disclosed in note 24 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with Treasury Regulation 16A6.2(b).

Procurement and contract management

28. Some of the goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1 and paragraph 3.3.1 of Practice Note 8 of 2007/08.

29. Some of the contracts were extended or modified without the approval of a properly delegated official as required by section 44 of the PFMA and Treasury Regulations 8.2.1 and 8.2.2.

Other information

30. 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 the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.

31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

32. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

33. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

34. 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 the annual performance report and the findings on compliance with legislation included in this report.

35. The accounting authority was not appointed for the full financial period and thus did not exercise adequate oversight responsibility over internal controls relating to compliance with key laws and regulations, the preparation of the annual financial statements and annual performance report. This resulted in material non-compliance with laws and regulations and material findings on the annual performance report.

36. Senior management did not ensure that sufficient monitoring controls were in place to prevent non-compliance with laws and regulations and to ensure that the financial statements are accurate and complete. This resulted in the material amendments to the financial statements.

Auditor - General

Johannesburg
31 August 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

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 programme 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 relating to events or conditions that may cast significant doubt on the ability of the South African Diamond and Precious Metals Regulator 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 my 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 operating as a going concern

   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority 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, actions taken to eliminate threats or safeguards applied.

PART F

ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements

for the year ended 31 March 2021

INDEX

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

GENERAL INFORMATION

COUNTRY OF INCORPORATION

Republic of South Africa

LEGAL FORM OF ENTITY

Schedule 3A entity listed in terms of the Public Finance Management Act, No. 29 of 1999 (PFMA) as amended.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Regulating control over the possession, purchase, sale, processing and the export of diamonds as well as the implementation, administration and controlling of all matters relating to the acquisition, possession, smelting, refining, fabrication, use and disposal of precious metals.

MEMBERS OF THE ACCOUNTING AUTHORITY

Abiel Mngomezulu	Chairperson	C Khosa*	Chief Executive Officer
N Zikalala-Mvelase	Member	W Adams	Member
C Nevhutanda	Member	R Paola	Member (Alternate)
M Mosing	Member	E Blom	Member
K Macingwane	Member	L Madiba	Member
K Serokane	Member	M Mnguni	Member
Maj Gen H Mokoena	Member	Adv. N Van Rooyen	Member
Y Pillay	Member	S Mokoena	Member
G Mphake	Member (Alternate)	Adv M Malebe	Member
R Nkambule	Member (Alternate)	N Mothabe	Acting Company Secretary

The board members were appointed in November 2020.

**Executive director*

BUSINESS ADDRESS

251 Fox Street
Jewel City
Johannesburg
2001

POSTAL ADDRESS

P O Box 16001
Jewel City
Doornfontein
2028

BANKERS **Nedbank**

AUDITORS The Auditor-General of South Africa

Accounting Authority's Responsibilities and Approval

The members of the Board are required by the Public Finance Management Act (Act 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 2022 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Regulator is dependent on government grants, licenses, 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 4 to 36, were prepared on the going concern basis, approved by the accounting authority on 28 May 2021 and signed on its behalf by:

Mr. C Khosa
Chief Executive Officer

Mr A. Mngomezulu
Chairperson

Statement of Financial Position

	Notes	2021 R	2020 R
Assets			
Non-current Assets			
Property, plant and equipment	2	**16,425,294**	12,354,799
Intangible assets	3	**1,214,015**	1,271,626
Total Non-Current Assets		**17,639,309**	**13,626,425**
Current Assets			
Inventory	4	**776,556**	945,426
Receivables from exchange transactions	5	**1,117,902**	1,441,092
Other receivables from non-exchange transactions	6	**14,000,000**	-
Statutory receivables	7	**3,424,806**	3,049,884
Cash and cash equivalents	8	**11,722,619**	13,106,100
Investments	9	**35,609,461**	34,059,416
Total Current Assets		**66,651,344**	**52,601,918**
Total Assets		**84,290,653**	**66,228,343**
Net Assets and Liabilities			
Accumulated Surplus		**73,756,152**	58,567,998
		73,756,152	**58,567,998**
Non-current Liabilities			
Finance lease obligations	10	**–**	77,417
Post retirement medical aid	11	**704,000**	678,000
		704,000	**755,417**
Current Liabilities			
Payables from exchange transactions	12	**9,550,437**	5,481,731
Provisions	13	**–**	797,472
Finance lease obligations	10	**77,417**	277,868
Operating lease liability	14	**202,647**	347,857
Total Current Liabilities		**9,830,501**	**6,904,928**
Total Net Assets and Liabilities		**84,290,653**	**66,228,343**

Statement of Financial Performance

	Notes	2021 R	2020 R
Revenue from exchange transactions			
Service fees		**37,183,842**	37,633,423
Licence fees		**2,432,000**	3,243,390
Interest income	15	**2,006,872**	3,404,841
Other income	16	**308,117**	236,781
Total revenue from exchange transaction		**41,930,831**	**44,518,435**
Revenue from non-exchange transactions		**79,141,155**	65,376,000
Transfer payment (Grant)		**76,054,000**	61,544,000
WGM Grant		**–**	2,500,000
Penalties		**3,087,155**	1,332,000
Total operating revenue		**121,071,986**	**109,894,435**
Expenditure			
Finance costs		**36,335**	81,012
Debtors impairment	7	**1,733,971**	1,398,977
Employee costs	20	**84,559,637**	79,739,481
Depreciation and amortisation	2&3	**1,267,619**	1,115,396
Other operating expenses	19	**18,159,103**	26,184,138
Total expenditure		**105,756,665**	**108,519,004**
Fair value gain	9	**(106,702)**	132,208
Profit on disposal of property, plant and equipment		**(20,465)**	54,121
Total other income		**(127,167)**	**186,329**
Surplus for the year		**15,188,154**	**1,561,760**

Statement of Changes in Net Assets

Figures in R	**Accumulated surplus**	**Total**
Balance at 1 April 2019	**57,006,238**	**57,006,238**
Surplus for the year	1,561,760	1,561,760
Balance at 31 March 2020	**58,567,998**	**58,567,998**
Balance at 1 April 2020	**58,567,998**	**58,567,998**
Surplus for the year	15,188,154	15,188,154
Balance at 31 March 2021	**73,756,152**	**73,756,152**

Statement of Cash Flows

	Notes	2021 R	2020 R
Cash flows from operating activities			
Cash receipts from customers, government and others		**103,183,009**	**107,117,696**
Transfer payment (Grant)		**62,054,000**	61,544,000
Other receipts		**41,129,009**	45,573,696
Cash paid to suppliers and employees		**(99,423,834)**	**(112,831,466)**
Cash generated from operations	**22**	**3,759,175**	**(5,713,770)**
Interest received		**2,103,272**	3,154,579
Finance costs		**(36,335)**	(81,012)
Net cash from operating activities		**5,826,112**	**(2,640,203)**
Cash flows from investing activities			
Property, plant and equipment acquired	2	**(5,300,968)**	(6,558,698)
Intangible assets acquired		**–**	(139,882)
Proceeds on assets disposed		**–**	160,839
Re-investment	9	**–**	(2,800,000)
Re-investment of interest	9	**(1,656,757)**	(2,182,934)
Net cash flows from investing activities		**(6,957,725)**	**(11,520,675)**
Cash flows from financing activities			
(Decrease)/ Increase in defined benefits obligations		**26,000**	4,000
Increase/(Decrease) in finance lease obligations		**(277,868)**	(233,191)
Cash flows from financing activities		**(251,868)**	(229,191)
Decrease in cash and cash equivalents		**(1,383,481)**	(14,390,069)
Cash and cash equivalents at beginning of the period		**13,106,100**	27,496,169
Cash and cash equivalents at end of the period		**11,722,619**	**13,106,100**

Budget Statement

Figures in R	Actual	Original budget	AENE Adjustments	AENE Adjustments	Total Adjustments	Final Budget	Variance	Variance %
Revenue from exchange transactions								
Service fees	37,183,838	47,219,447	–	–	–	47,219,447	(10,035,609)	(21%)
License Fees	2,432,000	3,836,500	–	–	–	3,836,500	(1,404,500)	(37%)
Interest received	2,006,871	3,548,482	–	–	–	3,548,482	(1,541,611)	(43%)
Other Income	308,118	492,170	–	–	–	492,170	(184,052)	(37%)
Total revenue from exchange transaction	**41,930,827**	**55,096,599**	**–**	**–**	**–**	**55,096,599**	**(13,165,772)**	
Revenue from non exchange transactions	**79,141,155**	**65,130,000**	**(1,576,000)**	**14,000,000**	**12,424,000**	**77,554,000**	**1,587,155**	
Transfer	76,054,000	63,630,000	(1,576,000)	14,000,000	12,424,000	76,054,000	–	0%
Penalties	3,087,155	1,500,000.	–	–	–	1,500,000	1,587,155	106%
Total revenue	**121,071,982**	**120,226,599**	**(1,576,000)**	**14,000,000**	**12,424,000**	**132,650,599**	**(11,578,617)**	
Expenditure								
Administration expenses	89,374	176,796	–	–	–	176,796	87,422	49%
Advertising	–	4,000	–	–	–	4,000	4,000	100%
Audit Fees	1,699,999	2,400,000	–	–	–	2,400,000	700,001	29%
Board fees	285,022	1,819,000	–	–	–	1,819,000	1,533,978	84%
CSR Programmes	15,000	15,000	–	–	–	15,000	–	0%
Domestic Travel	128,128	1,702,819	–	–	–	1,702,819	1,574,691	92%
Finance costs	36,335	39,652	–	–	–	39,652	3,317	8%
Hiring of equipment	53,217	60,000	–	–	–	60,000	6,783	11%
Hospitality	30,947	121,059	–	–	–	121,059	90,112	74%
Inspection costs	41,123	644,011	–	–	–	644,011	602,888	94%
Insurance	1,020,111	956,480	–	–	–	956,480	(63,631)	(7%)
International travel	247,209	504,448	–	–	–	504,448	257,239	51%
Inventory costs	702,383	903,600	–	–	–	903,600	201,217	22%
Kimberley Process	–	300,000	–	–	–	300,000	300,000	100%
Legal fees	1,982,211	3,000,000	–	–	–	3,000,000	1,017,789	34%
Licences	1,463,767	1,481,696	–	–	–	1,481,696	17,929	1%
Motor vehicle expenses	102,033	222,696	–	–	–	222,696	120,663	54%
Office lease – Municipal services	3,155,303	3,200,000	–	–	–	3,200,000	44,697	1%
Office lease – space and parking	1,277,392	1,360,657	–	–	–	1,360,657	83,265	6%
Post employment benefits - Medical	123,889	55,000	–	–	–	55,000	(68,889)	–125%
Postage and courier	38,123	39,000	–	–	–	39,000	877	2%
Public relations	263,657	1,055,000	–	–	–	1,055,000	791,343	75%
Recruitment and selection costs	121,170	114,600	–	–	–	114,600	(6,570)	–6%
Repairs and maintenance	692,538	692,600	–	–	–	692,600	62	0%
Security	1,179,851	1,130,000	–	–	–	1,130,000	(49,851)	–4%
Staff recognition	2,942	200,000	–	–	–	200,000	197,058	99%
Staff remuneration	80,726,340	91,418,322	–	–	–	91,418,322	10,691,982	12%
Staff Welfare	290,795	760,600	–	–	–	760,600	469,805	62%

Budget Statement (continued)

Figures in R	Actual	Original budget	AENE Adjustments	AENE Adjustments	Total Adjustments	Final Budget	Variance	Variance %
Subscriptions and membership fees	107,931	108,345	–	–	–	108,345	414	0%
System support fees	174,818	504,476	–	–	–	504,476	329,658	65%
Telecommunication	2,185,206	2,714,822	–	–	–	2,714,822	529,616	20%
Training and Development	544,231	600,000	–	–	–	600,000	55,769	9%
Transformation	35,347	350,000	–	–	–	350,000	314,653	90%
Venue and Facilities	5,646	125,000	–	–	–	125,000	119,354	95%
Warehousing	99,740	102,080	–	–	–	102,080	2,340	2%
Total expenditure excluding non-cash items	**98,921,778**	**118,881,759**	**–**	**–**	**–**	**118,881,759**	**19,959,981**	
Surplus for the year before non-cash items	**22,150,204**	**1,344,840**	**(1,576,000)**	**14,000,000**	**12,424,000**	**13,768,840**	**8,381,364**	
Less non-cash expenditure:								
Debtors impairment adjustment	1,733,971	–	–	–	–	–	(1,733,971)	–100%
Depreciation and amortisation	1,267,620	1,339,304	–	–	–	1,339,304	71,684	5%
Fair Value Adjustment	106,702	–	–	–	–	–	(106,702)	–100%
Leave pay provision	3,833,297	200,000	–	–	–	200,000	(3,633,297)	–1817%
Loss on disposal of assets	20,465	–	–	–	–	–	(20,465)	100%
Total non-cash	**6,962,055**	**1,539,304**	**–**	**–**	**–**	**1,539,304**	**(5,422,751)**	
Surplus/(Deficit) for the year including non cash expenditure	**15,188,149**	**(194,464)**	**(1,576,000)**	**14,000,000**	**12,424,000**	**12,229,536**	**2,958,613**	

The budget is prepared and presented on accrual basis. It is for the period 1 April 2020 to 31 March 2021 and is in line with the financial period.

Adjustment to the SADPMR's grant allocation results from additional allocation from the shareholder as the entity is not generating adequate revenue due to the declining industry and negative impact of COVI-19. The additional allocation is ring-fenced for the relocation costs to the GIDZ.

REVENUE

Service fees (21%)
The SADPMR derives its income from the services that are rendered in terms of regulation 10(2) b of the Diamonds Act. The reduced revenue is due to the decline in sales of KP certificates and parcels submitted for export has also declined which affects revenue collection. This was further exacerbated by the COVID-19 pandemic as the entity was not fully operational in Q 1.

Licence fees (37%)
Due to the COVID-19 pandemic number of licensing did not come to renew in expected stipulated period.

Interest (43%)
The entity generated less revenue than budgeted. Some of the operating expenditure and capital expenditure was funded through cash reserves resulting in reduced interest recognised.

Other income (37%)
The difference is mainly due to bad debts recovered being lower than budgeted for.

Penalties 106%
Some clients use the post office and Internet cafe to submit their registers and due to COVID-19 pandemic these facilities were not available resulting in non-submission.

EXPENDITURE

Administration expenses 49%
Due to COVID-19 there was no travel for the major part of the period. The variance is mainly due reduced travel administration charges.

Advertising 100%
No advertising during the year resulting in the variance.

Audit fees 29%
The variance is mainly due to the timing difference between the budget and the actual audit. The actual expenditure relaters to the 2019/20 audit.

Board fees 84%
The former board's term ended in November 2019 and there was a delay in the appointment of the new board members. The board started in November 2020.

Domestic travel 92%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently. There was limited travelling during the current year.

Hiring 11%
The variance is due to reduced monthly rental in the new contract.

Hospitality 74%
The variance due to COVID-19 pandemic which compelled business activities to be done differently. There was limited physical meetings during the current year.

Inspection 94%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently. There was limited travelling during the current year and most inspections were done virtual.

International travel 51%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently. There was limited travelling during the current year.

Inventory 22%
Inventory costs mainly include cost of stationer used and the cost of books sold. The variance is due to COVID-19 pandemic, officials are on rotation resulting in reduced usage.

Kimberley Process 100%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently. There were no physical Kimberley process activities during the current year. Most of the KP meetings and engagements were conducted virtually.

Legal fees 34%
The variance is due to the ongoing cases not concluded by year end.

Motor vehicle expenses 54%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently. There was limited travelling during the current year.

Post employment benefits – Medical (125%)
The financial assumptions were adjusted to reflect recent market conditions from the revised valuation report obtained for March 2021.

Public relations 75%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently mainly online. There were limited public relations activities during the current year. Most of stakeholder engagements as well as promotional activities were conducted locally, there were no international events attended.

Staff recognition (99%)
The variance on staff recognition is due to cost containment measures that were implemented in the current year. The budgeted amount was not used due the financial constraints that the entity experienced during the year under review.

Staff remuneration 12%
The budget includes provision for incentive bonus not implemented due to the financial position of the entity and vacancies.

Staff welfare (62%)
The variance on staff welfare is due to the wellness programme that started later in the year mainly due to the contract being activated from September 2020.

System support fees (65%)
The variance on system support is due to the web admin system support contract that ended in September 2020.

Budget Statement (continued)

Telecommunication 20%
The variance is due to less telephone usage as officials rotate going to the office and the current cellphone contract that is on top package.

Transformation 90%
The expenditure is under budget due to COVID-19 pandemic which compelled business activities to be done differently. There was limited travelling during the current year.

Venue and facilities 95%
The variance on venues and facilities is due to cost containment measure that were implemented during the year under review.

Debtors impairment adjustment (100%)
This was not budgeted for as the entity did not expect to impair debtors but recover during the financial year.

Fair Value Adjustment (100%)
The difference is due to changes in market conditions and performance that cannot be anticipated.

Leave pay provision (1817%)
Variance is due to less people taking leave as a result of COVID-19. It should be noted that the leave balances of most of the employees will lapse at the end of June 2021, therefore by the end of the financial year, some leave credits were still available.

Loss on disposal of assets (100%)
This results from assets lost during the year which was not budgeted for.

Notes to the Annual Financial Statements
for the year ended 31 March 2021

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. Accrual basis of accounting means effects of transactions and other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

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.

Management reviewed the useful lives of assets and there were no changes in estimates in the current year.

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 and Energy (DMRE) are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Revenue from Penalties is recognised when they are billed.

Penalties are recognised when it is probable that economic benefits associated with the transaction will flow to the SADPMR and can be reliably measured.

Reclassification

In the previous financial year, penalties were reclassified from revenue from exchange transactions to revenue from non – exchange transactions in compliance with GRAP 23.

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.

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 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.

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

Item	Years
Furniture and fittings	25 to 50 years
Motor vehicles	12 years
Office equipment	15 to 25 years
Computer equipment	5 to 25 years
Security equipment – Safes	15 to 50 years
Security systems – other	15 to 50 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.

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	10 to 30 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.

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.

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 approximates their fair value.

- Investments at fair value
  Investments 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.

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, or 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.

Statutory receivables
Statutory receivables are those receivables that arise from legislation, supporting regulations or similar means and require settlement from another entity by cash. Statutory receivables arise from exchange and non exchange transactions.

Statutory receivables are recognised :

a) When the definition of an asset is met
b) When it is probable that the future economic benefits or service potential associated with the asset will flow to the entity
c) The transaction amount can be measured reliable.

Statutory receivables are stated at amortised cost, which closely approximate their fair value.

The carrying amount of the receivable is reduced through the use of an impairment allowance account when the recoverable amount is doubtful or lower than the carrying value. The debts are derecognised when they are assessed as irrecoverable.

The SADPMR shall derecognise a statutory receivable, or a part thereof, when the rights to the cash flows from the receivable are settled, expired or are waived.

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.

Commitments
Commitments are not recognised in the Statement of Financial Position and Statement of Financial Performance but are included in the disclosure notes of the annual financial statements.

Events after the reporting date
Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events after the reporting date
These events provide evidence of conditions that existed at the reporting date

Non–adjusting events after the reporting date
Those that are indicative of conditions that arose after the reporting date. The SADPMR shall not adjust the amounts recognised in its financial statements to reflect non–adjusting events after the reporting date.

If non–adjusting events after the reporting date are material, the SADPMR shall disclose the following for each material category of non–adjusting event after the reporting date:
a) The nature of the event.
b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

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

Post–employment Benefits
Post–employment benefits are benefits which are 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 it expects its employees to make their own provisions for post–retirement benefits under this policy. Only two retired employees receive the post–employment medical contributions and this is disclosed under note 11 to 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 on the next page.

	2021	2020
Consumer Price Inflation	4.61%	4.09%
Health care cost inflation	6.11%	5.59%
Discount rate	7.69%	8.13%
Real discount	1.49%	2.41%

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 1 April 2021. 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 104	Financial	This standard will have an impact on SADPMR	Not yet effective
GRAP 25	Employee	This standard will have an impact on SADPMR	Not yet effective

Segment reporting
Due to the practicality and reliability of segmented information, the management has concluded that the segmented information will not be included in the financial statements.

Material
In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any material losses through criminal conduct.

Irregular expenditure
Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:
- The Public Finance Management Act, or
- State Tender Board Act, 1968

All irregular is charged against income in the period in which they are incurred.

Fruitless and wasteful expenditure
Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

Prior period errors
Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

2. PROPERTY, PLANT AND EQUIPMENT

Owned and leased assets	Cost R	Accumulated depreciation R	31 March 2021 Carrying value R	Cost R	Accumulated depreciation R	31 March 2020 Carrying value R
Computer equipment	12,777,678	(5,250,538)	7,527,140	8,760,954	(4,939,682)	3,821,272
Furniture and fittings	4,041,762	(2,098,786)	1,942,976	4,041,762	(2,026,743)	2,015,019
Leased office equipment	738,416	(676,882)	61,534	738,416	(430,743)	307,673
Leasehold improvements	2,189,487	(2,155,560)	33,927	2,189,487	(2,110,326)	79,161
Motor vehicles	3,494,609	(993,601)	2,501,008	3,494,609	(735,679)	2,758,930
Office equipment	5,815,269	(2,473,784)	3,341,485	4,662,241	(2,313,772)	2,348,469
Security systems, machinery and safes	4,444,117	(3,426,893)	1,017,224	4,371,438	(3,347,163)	1,024,275
	33,501,338	**(17,076,044)**	**16,425,294**	**28,258,907**	**(15,904,108)**	**12,354,799**

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

Owned and leased assets	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	31 March 2021 Carrying value R
Computer equipment	3,821,272	4,075,263	(20,465)	(348,930)	**7,527,140**
Furniture and fittings	2,015,019	–	–	(72,043)	**1,942,976**
Leased office equipment	307,673	–	–	(246,139)	**61,534**
Leasehold improvements	79,161	–	–	(45,234)	**33,927**
Motor vehicles	2,758,930	–	–	(257,922)	**2,501,008**
Office equipment	2,348,469	1,153,026	–	(160,010)	**3,341,485**
Security systems, machinery and safes	1,024,275	72,679	–	(79,730)	**1,017,224**
	12,354,799	**5,300,968**	**(20,465)**	**(1,210,008)**	**16,425,294**

Owned and leased assets	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	31 March 2020 Carrying value R
Computer equipment	1,019,551	3,124,360	(38,138)	(284,501)	3,821,272
Furniture and fittings	2,033,137	65,201	(8,569)	(74,750)	2,015,019
Leased office equipment	553,812	–	–	(246,139)	307,673
Leasehold improvements	184,709	–	–	(105,548)	79,161
Motor vehicles	395,711	2,483,594	(9,320)	(111,055)	2,758,930
Office equipment	1,683,467	855,181	(39,647)	(150,532)	2,348,469
Security systems, machinery and safes	1,091,770	30,362	(11,047)	(86,810)	1,024,275
	6,962,157	**6,558,698**	**(106,721)**	**(1,059,335)**	**12,354,799**

No repairs were made on property ,plant and equipment.

Obligations under finance leases are secured by the lessors' title to the leased assets.

3. INTANGIBLE ASSETS

Owned and leased assets	Cost R	Accumulated depreciation R	31 March 2021 Carrying value R	Cost R	Accumulated depreciation R	31 March 2020 Carrying value R
Computer software – owned	4,501,399	(3,287,384)	**1,214,015**	4,501,399	(3,229,773)	1,271,626
	4,501,399	**(3,287,384)**	**1,214,015**	**4,501,399**	**(3,229,773)**	**1,271,626**

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

Owned and leased assets	Carrying value at beginning of year R	Additions R	Amortisation R	Disposals R	31 March 2021 Carrying value R
Computer software – owned	1,271,626	–	(57,611)	–	**1,214,015**
	1,271,626	**–**	**(57,611)**	**–**	**1,214,015**

Owned and leased assets	Carrying value at beginning of year R	Additions R	Amortisation R	Disposals R	31 March 2020 Carrying value R
Computer software – owned	1,187,802	139,882	(56,058)	–	**1,271,626**
	1,187,802	**139,882**	**(56,058)**	–	**1,271,626**

4. INVENTORY

	2021 R	2020 R
Inventory comprises:		
Broker's notes, certificates and registers	**215,606**	81,778
Office stationery and cartridges	**99,195**	306,649
Tamper proof stationery	**461,755**	556,999
	776,556	**945,426**

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

	2021 R	2020 R
Interest receivable	**153,861**	250,262
Other receivables	**179,806**	199,925
Prepaid expenses	**686,942**	759,251
Staff debtors	**97,293**	231,654
	1,117,902	**1,441,092**

Other receivables relates to rental deposits and receivables from dismissed employees.

Prepaid expenses mainly represent the prepayments for insurance and licences (i.e. VIP and Pastel).

Staff debtors consist mainly of recovery of study fees.

6. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2021 R	2020 R
Grant receivable	**14,000,000**	–

Grant receivables include R14 m additional grant allocated in March 2021 but received in April 2021.

7. STATUTORY RECEIVABLES

	2021 R	2020 R
Receivables	**6,838,596**	4,729,703
Receivables impairment	**(3,413,790)**	(1,679,819)
	3,424,806	3,049,884
7.1 Non exchange statutory receivables	**6,474,798**	3,806,304
Impairment	**(3,099,260)**	(1,609,583)
	3,375,538	2,196,721
7.2 Exchange statutory receivables	**363,798**	922,894
Impairment	**(314,531)**	(70,236)
	49,267	**852,658**

Statutory receivables comprise receivables for service fees and penalties. Service fees arise mainly from valuation services rendered under and in terms of regulation 10 (2) (b) of the Diamond Act as well as polished imports & exports and rough exports in terms of the Diamonds act. Also statutory receivables which arise from penalties that are charged to clients for late or non-submission of registers.

	2021 R	2020 R
Reconciliation for debtors impairment		
Opening balance	**1,679,819**	3,220,226
Raised during the period	**1,733,971**	1,570,069
Reversed during the period	**–**	(171,092)
Amounts written off	**–**	(2,939,384)
Closing balance	**3,413,790**	**1,679,819**

The ageing of the entity's receivables is as fol	2021			2020		
	Gross	Impaired	Not impaired	Gross	Impaired	Not impaired
0 - 30 days	**1,950,080**	**230,781**	**1,719,299**	574,015	75,500	498,515
31 - 60 days	**1,304,082**	**542,370**	**761,712**	296,882	128,145	168,737
61 - 90 days	**17,676**	**–**	**17,676**	9,842	1,083	8,759
91 - 120 days	**8,753**	**–**	**8,753**	109,548	64,150	45,398
121 + days	**3,558,005**	**2,640,639**	**917,366**	3,739,416	1,410,941	2,328,475
	6,838,596	**3,413,790**	**3,424,806**	**4,729,703**	**1,679,819**	**3,049,884**

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

	2021 R	2020 R
8. CASH AND CASH EQUIVALENTS		
Cash on hand	**12,331**	11,872
Call accounts	**10,494,965**	9,193,742
Current accounts	**1,215,323**	3,900,486
	11,722,619	**13,106,100**
9. INVESTMENTS AT FAIR VALUE		
Opening balance	**34,059,416**	28,944,274
Additions/(Withdrawals)	**–**	2,800,000
Interest received	**1,656,757**	2,182,934
Fair value adjustment	**(106,712)**	132,208
Closing balance	**35,609,461**	**34,059,416**

Investments represent an investment held with Stanlib.

Specific valuation methodologies:

* The price of each security is retrieved on a consistent basis and at valuation point on each pricing day in a manner which is consistent with the deed.
* Wherever possible and practical the price of each security is validated for reasonability by, among others

(i) comparing multiple sources; and

(ii) reviewing the price against the price that was determined at the previous valuation point.

The fair value hierarchy levels:

For Collective Investment Scheme funds, FSCA NAV Conduct Standard is followed, instruments will fall into the first two categories, with a majority of our universe under Level 1 i.e. use of market prices to determine fair value;

Level 1 as detailed in the standard is for securities that can be observed or quoted without any adjustment. This means it is readily available and determined by the exchange applicable to source that security's price. Level 1 instruments are associated with low risk of liquidity, meaning the market determines the price based on the market activities on the exchange. The price is used as provided by the respective exchange; on the basis they are highly liquid due to frequent exchange trading.

Level 2 includes the securities in level 1 as stated above. However, those securities are thinly traded or suspended on the exchange. In addition to those, included in Level 2 are securities which are unlisted on the exchange and the price of which is agreed upon by counterparties over the counter. These securities fair value is determined by applying a model because the price cannot be easily or readily observed.

However, a key requirement is that the inputs in the model are observable and not adjusted, with limited assumptions overlay applied. These Level 2 instruments are illiquid in nature and expose the security to liquidity risk which thereby ranks them "medium risk", above Level 1 instruments.

Level 3: Stanlib does not have any level 3 instruments in Collective Investment Schemes that require a high degree of assumptions/judgment with few observable inputs. Naturally these are the high valuation risk instruments.

	2021 R	2020 R
10. FINANCE LEASE OBLIGATIONS		
Lease of photocopiers		
Repayable within three years	–	77,417
Repayable within one year, transferred to current liabilities	77,417	277,868
	77,417	355,285
Reconciliation between the total of the minimum lease payments and the present value of lease payments:		
Minimum lease payments	78,551	392,753
Within one	78,551	314,202
Within two to five years	–	78,551
Future finance charges on finance leases	(1,134)	(37,468)
	77,417	355,285

It is the practice of the SADPMR to lease certain items of office equipment and related software under finance lease. The lease period ends on 30 April 2021.

11. POST RETIREMENT MEDICAL AID

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 2021.These employees came from the old Diamond Board.

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	704,000	678,000
Reconciliation of the liability		
Opening balance	678,000	674,000
Interest cost	51,000	57,000
Remeasurement	72,889	37,976
Contribution payments	(97,889)	(90,976)
	704,000	678,000
Net expense Recognised in the statement of financial performance		
Interest cost	51,000	57,000
Remeasurement	72,889	37,976
Contribution payments	123,889	94,976
Contribution payments	(97,889)	**(90,976)**

	2021	2020
12. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	782,838	439,002
Accruals	8,470,880	4,830,056
Other payables	289,957	212,673
Payroll third party payables	6,762	–
	9,550,437	**5,481,731**

Accruals include leave provision of R6.5m for leave not taken. Other payables relates to debtors with credit balances and year end.
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

for the year ended 31 March 2021

Trend information	2021	2020	2019	2018	2,017
Present value of obligation	704,000	678,000	674,000	1,327,000	1,428,000
Fair value of plan asset	–	–	–	–	–
Present value of obligation in excess of plan assets	704,000	678,000	674,000	1,327,000	1,428,000
Experience adjustments (Actuarial gain and losses before change in assumptions)	(97,889)	(90,976)	(677,445)	(85,273)	–
In respect of present value of obligations	–	–	–	–	–
In respect of fair value of plan assets	–	–	–	–	–

	2021	2020
13. PROVISIONS		
Performance bonus	–	797,472
	–	797,472
Reconciliation of provision for performance bonus:		
Carrying amount at the beginning of the year	797,472	4,000,000
Utilised during the year	–	(3,202,528)
Reversed during the year	(797,472)	–
Carrying amount at end of the year	–	797,472
14. OBLIGATIONS UNDER OPERATING LEASES		
14.1 At the reporting date the entity had outstanding commitments under non–cancellable operating leases, which fall due as follows:		
Johannesburg Office	1,187,335	2,394,823
– Not later than one year	1,187,335	2,394,823
– Greater than one year, less than five	–	–
The SADPMR entered into a 5 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 terminate on 31 August 2016.The lease provides for an escalation of 6% per annum on rental, parking and security charges. The lease was effected from February 2019, by adjusting the termination date to 28 February 2021. The lease has been extended to 31 August 2021 due to delays in the move to the GIDZ.		
Kimberley Office	2,425,741	3,144,561
– Not later than one year	761,949	718,820
– Greater than one year, less than five	1,663,792	2,425,741
The SADPMR entered into a 5 year lease agreement for the rental of the Kimberley office. The lease commenced on 01 April 2019 and terminates on 31 March 2024. The lease provides for an escalation of rental of 6% per annum and the current lease payment is R56 511.00 per month.		
Total lease obligations:		
– Not later than one year	1,949,284	3,113,643
– Greater than one year, less than five	1,663,792	2,425,741
	3,613,076	5,539,384
14.2 Payables from operating leases reflect the difference between the actual amounts and the straight–lined amounts		
Lease liability	202,647	347,857

	2021	2020
15. INTEREST INCOME		
Interest from bank accounts	425,327	1,221,907
Interest from investments	1,581,545	2,182,934
	2,006,872	**3,404,841**
16. OTHER INCOME		
Administration Fee (client fees)	1,024	5,621
Bad Debts Recovered	63,541	31,178
Discount Received	–	46,717
Other income	154,452	76,465
Sale of diamond books and registers	89,100	69,600
Sale of tender documents	–	7,200
	308,117	**236,781**
Other income includes insurance proceeds and recovery of study fees.		
17. AUDITORS' FEES		
External audit	1,699,999	2,936,919
18. BOARD EXPENSES		
Meeting fees	240,756	742,960
Other fees	44,266	62,439
	285,022	**805,399**
Other fees relates to remuneration to board members for other activities other than board meetings.		
19. OTHER OPERATING EXPENSES		
Administration expenses	89,374	209,667
Advertising	–	2,522
Audit Fees	1,699,999	2,936,919
Board costs	285,022	929,312
CSR Programmes	15,000	–
Domestic Travel	128,128	1,256,849
Hiring of equipment	53,217	55,456
Hospitality	30,947	104,686
Inspection costs	41,123	353,660
Insurance	1,020,111	482,820
International travel	247,209	1,945,707
Inventory costs	702,383	919,908
Kimberley Process	–	2,771,164
Legal fees	1,982,211	(199,400)
Licences	1,463,767	2,176,983
Motor vehicle expenses	102,033	177,234
Office lease	3,155,303	3,280,556
Office lease municipal services	1,277,392	1,185,729

Notes to the Annual Financial Statements)

for the year ended 31 March 2021

	2021	2020
19. OTHER OPERATING EXPENSES (continued)		
Office relocation	–	13,601
Post employment benefits – Medical	123,889	94,976
Postage and courier	38,123	85,190
Public relations	263,657	970,231
Recruitment and selection costs	121,170	65,003
Repairs and maintenance	692,538	1,219,190
Security	1,179,851	945,682
Staff recognition	2,942	121,984
Staff Welfare	290,795	278,035
Subscriptions and membership fees	107,931	59,708
System support fees	174,818	383,520
Telecommunication	2,185,206	2,228,903
Training and Development	544,231	879,010
Transformation	35,347	123,958
Venue and Facilities	5,646	37,610
Warehousing	99,740	87,765
	18,159,103	**26,184,138**
20. EMPLOYEE COSTS		
Basic salaries	69,047,360	67,199,134
Bonus –13th cheque	1,713,252	2,019,310
Compensation of injury and disease – COID	206,296	380,040
Disability cover	978,066	941,278
Housing allowance	96,000	96,000
Leave pay provision	3,833,297	(129,126)
Medical aid – entity contributions	2,949,689	2,683,236
Performance bonus	(797,472)	–
Pension – entity contribution	5,733,482	5,508,460
Skills Development Levy (SDL)	489,515	728,476
Travel allowance	96,000	96,000
Unemployment Insurance Fund (UIF)	214,152	216,673
	84,559,637	**79,739,481**
21. EXECUTIVE AND NON-EXECUTIVE MEMBERS' REMUNERATION		
NC Khosa – CEO Appointed July 2019		
Basic Salary	2,231,364	1,732,964
Disability cover	28,192	18,679
UIF, SDL, Medical and Pension fund	242,901	181,107
	2,502,457	**1,932,750**

	2021	2020
21. EXECUTIVE AND NON-EXECUTIVE MEMBERS' REMUNERATION (continued)		
NC Khosa – GM: Regulatory compliance		
Acting CEO from 18 June 2018 – 30 June 2019		
Acting allowance	–	92,326
Basic Salary	–	393,154
Disability cover	–	5,098
UIF, SDL, Medical and Pension fund	–	49,217
	–	**539,795**
CE Simpson – Chief Financial Officer		
Appointed July 2019		
Basic Salary	1,674,571	1,255,929
Disability cover	20,750	13,331
UIF, SDL, Medical and Pension fund	143,814	110,895
	1,839,135	**1,380,155**
L Nkhumishe – GM: Corporate Services		
Basic Salary	1,658,099	1,661,557
Disability cover	21,161	20,392
UIF, SDL, Medical and Pension fund	196,561	196,915
	1,875,821	**1,878,864**
M. Mononela – GM: Legal and Compliance		
Basic Salary	1,629,537	1,664,505
Disability cover	21,161	20,392
UIF, SDL, Medical and Pension fund	225,091	225,213
	1,875,789	**1,910,110**
C Mlondo – GM: Diamond Trade		
Basic Salary	1,608,454	1,614,077
Disability cover	21,202	20,431
UIF, SDL, Medical and Pension fund	249,723	248,216
	1,879,379	**1,882,724**
J Lenka – Manager: Diamonds		
Acting allowance	248,915	127,143
Basic Salary Disability cover	1,275,902	1,253,436
UIF, SDL, Medical and Pension fund	111,963	114,413
	1,652,623	**1,510,125**
K Sibanyoni – Company Secretary		
Resigned May 2020		
Basic Salary	225,685	1,163,303
Leave pay	129,278	–
Disability cove	2,372	14,104
UIF, SDL, Medical and Pension fund	23,489	130,526
	380,824	**1,307,933**
N Mothabe – Acting Company Secretary		
Acting from June 2020		
Acting allowance Basic Salary	134,234	–
Disability cover	772,046	–
UIF, SDL, Medical and Pension fund	9,306	–
	68,725	–
	984,311	–
Total Executive Remuneration	12,990,339	**12,342,456**

This represents the total cost to company and the employees have the choice to restructure their packages.

Notes to the Annual Financial Statements)

for the year ended 31 March 2021

	2021	2020	
	Meeting fees	Other activities	Total
Non-executive members of the Board and Other Committees Meeting fees			
Mr MA Mngomezulu	**39,564**	28,150	65,714
Mr E Blom	**25,484**	–	25 484
Ms N Zikala–Mvelase	**31,593**	8,184	
Mr G Serekoane	**20,518**	–	20,518
Ms M Mosing	**20,518**	–	20,518
Adv N Van Rooyen	**23,001**	4,968	27,967
Mr S Mokoena	**25,484**	4,968	30,450
Mr G Mphake*	**–**	–	–
Ms K Macingwane	**25,484**	–	25,484
Mr WW Adams	**29,110**	–	29,110
Mr Y Pillay	**–**	–	–
M C Nevhutanda	**–**	–	–
Mr R Paola*	**–**	–	–
Major General H Mokoena	**–**	–	–
Ms L Madiba	**–**	–	–
Mr R Nkambule*	**–**	–	–
Adv M Malebe	**–**	–	–
Mr M Mnguni	**–**	–	–
Total Non–Executive Remuneration	**240,756**	44,266	**285,022**

*Alternate members who did not attend the meetings.
Where there are no balances, board members are employed by other state organs and not remunerated.

	2020		
	Meeting fees	**Other activities**	**Total**
Dr S Manese	162,302	41,840	204,142
N Monedi–Noko	137,484	8,935	146,419
M Noge	126,896	3,888	130,784
T Ngqeza	139,638	3,888	143,526
M Ledingwane	20,926	–	20,926
M Mohlala–Mulaudzi	–	–	–
B Stern	33,260	–	33,260
M Mosing	–	–	–
N Van Rooyen	77,106	–	77,106
S Mokoena	45,348	3,888	49,236
P Bailey	–	–	–
B Deka	–	–	–
R Paola*	–	–	–
C Nevhutanda	–	–	–
K Menoe	–	–	–
M Mnguni	–	–	–
Total Non–Executive Remuneration	**742, 960**	**62,439**	**805,399**

* Alternate members who did not attend the meetings.
Where there are no balances, board members are employed by other state organs and not remunerated. The board term ended in November 2019
Other Board activities include fees for attending training, events and other activities, etc.

	2021 R	2020 R
22. CASH FLOW NOTES		
22.1 Other receipts		
Other receipts from customers consist of receipts from service fees, licence fees and other sundry income.		
22.2 Cash generated from operations		
Surplus/(Deficit) per statement of financial performance	15,188,154	1,561,760
Adjustment for:	1,158,220	(3,793,739)
Depreciation and amortisation	1,267,619	1,115,396
Interest income	(2,006,872)	(3,404,841)
Finance costs	36,335	81,012
Debtors impairment	1,733,971	(1,398,977)
Surplus/(Deficit) on disposal of assets	20,465	(54,121)
Fair value adjustment – financial instruments at fair value	106,702	(132,208)
	16,346,374	(2,231,979)
Movements in working capital	(12,587,199)	(3,481,791)
Increase in inventory	168,870	(304,203)
Increase/(Decrease) in deferred income	–	(2,500,000)
Increase/(Decrease) in operating lease liability	(145,210)	107,244
Increase/(Decrease) in trade and other payables	4,068,706	118,964
Decrease/Increase) in provisions	(797,472)	(3,452,528)
Increase in trade and other receivables	(13,773,200)	628,102
Increase in debtor's impairment allowance	(1,733,971)	1,398,977
Increase in statutory receivables	(374,922)	521,653
Cash generated from operations	**3,759,175**	**(5,713,770)**

23. RELATED PARTY TRANSACTIONS

Controlling entity

The Department of Mineral Resources and Energy is the controlling party. The transactions relate to the transfer payment (grant) from the Department of Mineral Resources and Energy and balances owed by or due to DMRE at the end of the year under review. However, the SADPMR being a government entity has a number of Related Parties including other state owned entities; government departments and all other entities within the National Sphere of government. During the year under review the entity entered into the following transactions:

Name and nature of services	**Amounts received/paid to related party**		**Amounts owed by/(to) related party**	
	2021	**2020**	**2021**	**2020**
Department of Mineral Resources	62,054,000	61,544,000	14,000,000	–

The transactions relate to the transfer payment (grant) from the Department of Mineral Resources and the balances owed by the DMRE at the end of the year under review.

Management

The SADPMR has related party transactions with management as disclosed in note 21.

These transactions were concluded at arm's length and therefore were disclosed for information purposes.

	2021 R	2020 R
24. IRREGULAR EXPENDITURE		
Opening balance	236,247	63,967
Add: Irregular expenditure incurred in current year	9,545,199	172,280
Add: Irregular expenditure incurred in prior year but identified in current year	6,513,545	–
Less: Irregular expenditure condoned	(236,247)	–
Closing balance	**16,058,743**	**236,247**

Notes to the Annual Financial Statements)

for the year ended 31 March 2021

Insurance

Irregular Expenditure of R29,796.46 in relation to Insurance payment for assets during the lockdown as there was no time to get approval within 15% from the CEO.

Competency Assessment

Irregular expenditure amounting to R17 940 relates to the competency assessment purchase order that was issued to the supplier for one candidate under General manager and one candidate under Company Secretary. When liaising with the supplier the user added an additional candidate to each position which was irregular.

Stress Management Workshop.

Irregular expenditure amounting to R25 650 relates to the stress management workshop that was conducted without following procurement processes.

Employee Wellness

Overpayment of R10,599.99 was made to the service provider without following procurement process.

Rental of office space

Irregular expenditure on the Lease Agreement amounting to R1,518,725 was incurred as a result of extending the lease agreement above 15% threshold without National Treasury approval.

Disciplinary hearing

Irregular expenditure on disciplinary hearing is R430,992.32 incurred before obtaining the first approval and after obtaining the first approval from the National Treasury.

Non–existence of the Bid Specification Committee

Irregular expenditure of R13,837,913.50 is due to the non–compliance of Treasury regulation 16A 6.2 (b), as a result of a lack of a Bid Specification committee, all competitive bids dating from 2021 going back are deemed irregular.

It is impractical to quantify the irregular expenditure emanating from the non– compliance with section 16A 6.2 (b) of the Treasury Regulations prior to the 2015/16 financial year due to the non–availability of the relevant information.

Training

Irregular expenditure of R187,125.05 incurred on training for not obtaining at least 3 quotations.

Insurance

In the prior period the SADPMR procured short term insurance from an Insurance Broker during the 2018/19 financial year through the invitation of quotations rather than following the competitive bidding process for procurement above R500 000 (VAT included). The short term contract of R1037 579.04 started on 1 February 2019 and was to expire on 31 January 2022 prior to cancellation of the contract at end September of the current year. The total payments made for the 2018/19 financial year were R63 966.50 and R 172 280 for the year under review prior to cancellation of the contract at end September 2019

An investigation into the root cause for the irregular expenditure was conducted by an independent service provider. The root cause that led to the transgression resulted from lack of effective prevention and detection processes; inadequate review and monitoring and inadequate oversight by those charged with governance. Management has implemented adequate and effective controls to mitigate the re–occurrence of this transgression; provided supply chain training to supply chain and non–supply chain management employees and management has considered the implementation of internal disciplinary measures where recommended.

	2021	2020
25. FRUITLESS AND WASTEFUL EXPENDITURE		
Opening balance	**7,402**	–
Fruitless and wasteful expenditure – Current period	3,000	16,402
Less: Expenditure written off	(7,402)	(9,000)
Fruitless and wasteful expenditure awaiting to be written off by the board	**3,000**	**7,402**

The R3 000.00 fruitless and wasteful expenditure incurred in the current year relates to two employees who missed their return flights to Johannesburg due to traffic on their way to the airport.

The R3 000.00 is the only fruitless and wasteful expenditure incurred during the year.

For the prior year, on the 28th of February 2020 an official was travelling to Toronto Canada. The travel arrangements for Shuttle, Flight and accommodation were done on the 17th of February 2020. On the travelling date the official didn't make it on time for her flight. Flight and shuttle had to be re–booked. This resulted in fruitless and wasteful expenditure of R9 000.00 which was subsequently written off.

On the 3rd of March 2020 an official was travelling to Kimberley to conduct interns' interviews. Travelling arrangements were made on the 28th of February 2020. The official was picked up by the shuttle on time but missed his flight. The SADPMR incurred fruitless and wasteful expenditure of R7 401.62. and this was also written off.

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

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The entity' exposure to liquidity has not changed from the previous year to the current year.

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

	2021	2020
The maturity analysis of trade payables at reporting date were as follows:		
Payables		
Current (0 – 30 days)	**734,602**	3,255
31 – 60 Days	**–**	482
61 – 90 Days	**–**	55,200
91 – 120 Days	**–**	–
121 + Days	**48,236**	380,065
	782,838	**439,002**
The following are the entities other liabilities including interest payments		
– Not later than one year		
Finance lease obligations	**77,417**	277,868
Accruals	**1,471,426**	1,261,146
Provisions	**–**	797,472
	1,548,843	**2,336,486**
– Greater than one year, less than five		
Finance lease obligations	**–**	77,417
	–	**77,417**

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 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:

Balances with banks, current and call accounts.

	2021	2020
Credit Risk		
Credit risk is the 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	**544,805**	711,782
Financial instruments at fair value	**35,609,461**	34,059,416
Cash and cash equivalents	**11,722,619**	13,106,100
	47,876,885	**47,877,298**

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 2021	Balance at 31 March 2020
Investec LTD	Call	**3,697,061**	3,568,794
Nedbank LTD	Current	**1,215,323**	3,900,486
Nedbank LTD	Call	**6,796,612**	5,623,704
Nedbank LTD	Call (Salary savings)	**1,292**	1,244
Cash on hand	On hand	**12,331**	11,872
		11,722,619	**13,106,100**
Financial Assets carried at Amortised Cost			
Receivables from exchange transactions		**544,805**	711,782
Receivables from non–exchange transactions		**14,000,000**	–
Statutory receivables		**3,424,806**	3,049,884
Cash and cash equivalent		**11,722,619**	13,106,100
		29,692,230	**16,867,766**
Financial Assets carried at Fair Value			
Investment		**35,609,461**	34,059,416
		35,609,461	**34,059,416**
Financial Liabilities			
Finance lease – Long term		**–**	77,417
Finance lease – Short term		**77,417**	–
Payables from exchange transactions		**9,550,437**	5,481,731
		9,627,854	**5,559,148**
27. UNRECOGNISED CONTRACTUAL COMMITMENTS			
Operational commitments		**5,539,660**	**7,981,642**

28 CONTINGENT LIABILITIES

Disciplinary matter

There is an internal disciplinary matter involving three managers who have been suspended for misconduct. The disciplinary hearing is in its final stages and projected to be concluded by end of June. The probability of the hearings being in favour of employer is high according to the legal representative and probability of the matter proceeding to the CCMA is high with an estimated cost at most of R270,000.00 for arbitration and conciliation.

Dispute between SADPMR and managers

There is a Labour court matter between SADPMR and 4 of its employees who are seeking an order to compel the institution to pay their performance bonuses and salary increases. The probability of the employees being successful is low according to the employers legal representatives. The estimated legal costs for the institution are R150,000.00

Challenging the decision of SADPMR in operation during Alert level 4

There is an application to challenge the decision of SADPMR not to accept unpolished diamonds at the DDEEC, pursuant to the Alert level 4 COVID-19 Regulations promulgated on 29 April 2020 in terms of the Disaster Management Act 57 of 2002 ("the Regulations"). The prospects of success in this matter can only be limited to the determination of costs of the application. There is a possibility for a cost order being made against SADPMR. Other than this, the organisations legal representatives do not anticipate that the matter will go beyond the stage which it is at currently. The financial impact of any future costs and any potential cost orders against the SADPMR is estimated at R289,962.16.

29. GOING CONCERN

In 2020 the world was impacted by the COVID-19 pandemic which resulted in a National Lock down period in South Africa, which affected the economy and the business operations of the mining and precious metals industry. This impacted the ability of the mining and precious metals industries to recover financially. The SADPMR's revenue generation was also affected.

The SADPMR approached the shareholder for financial support and a cash injection of R14m was allocated during the current year. As a result, the SADPMR will remain as a going concern in the foreseeable future.

30. CORRECTION OF PRIOR PERIOD ERROR

SADPMR realised in the current year that senior managers disclosure as related party in the prior year does not meet the requirements of GRAP 20 which requires that a related party must have significant influence over the entity. SADPMR has corrected its financial statements by removing the senior managers from the related party disclosure note.

	2021	2020
Total Executive Remuneration disclosed in the prior period	–	20,820,547
Restated amount exluding senior managers -	–	12,342,456
Decrease in Executive Remuneration disclosed in the prior period	–	8,478,091

PART G
ANNEXURES

Annexure A: Statement of Responsibility and Confirmation of Accuracy

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

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General. 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 GRAP standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

External auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2021.

Mr. C Khosa
Chief Executive Officer

Mr A. Mngomezulu
Chairperson

Annexure B: Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2021.

FINANCE, AUDIT AND RISK COMMITTEE RESPONSIBILITY

The previous Board of directors and the Audit Committee, term ended in November 2019 and there was no new appointment of the Board and the Audit Committee until 1 November 2020. As a result, there was not sufficient oversight and full discharge of its roles and responsibilities in terms of section 51 (1) a (ii) of the PFMA and 27.1.8 of the Treasury Regulations for the entire financial period under review. However, the Audit Committee has met once since until 31 March 2021. The Audit Committee has also adopted a formal term of reference, being its charter. The Audit Committee acknowledges the attendance and participation of senior management including the Accounting Officer and Chief Executive Officer in the audit committee meetings. Since 1 April 2021, the committee met 4 times to discharge its duties.

EFFECTIVENESS OF INTERNAL CONTROLS

During the year various reports of the Internal Auditors and Auditor General indicated that the system of internal control has shortcomings in limited areas and management are in the process of implementing the recommendations the status of which are monitored by the Audit Committee.

INTERNAL AUDIT

The Committee has an oversight responsibility for the in-house 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. It therefore plays an integral role in sound corporate governance. The Audit Committee reviewed the activities of the internal audit function 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.

RISK MANAGEMENT AND GOVERNANCE

The Board has assigned the oversight of the risk management function to the Audit Committee.

Approved risk management framework and policy has been adopted . A process of risk management was implemented by management wherein risk assessments are conducted on a quarterly basis and updated on an annual basis by the Internal Audit function at both senior management and Board level. The committee has reviewed the risk register and reports from management's risk committee.

THE QUALITY OF IN-YEAR MANAGEMENT AND MONTHLY REPORTS/QUARTERLY REPORTS SUBMITTED IN TERMS OF THE PFMA

The Audit Committee has been advised that management have submitted quarterly financial reports prepared during the year under review, in compliance with the statutory reporting framework.

The Audit Committee reviewed the last 2 quarters and is satisfied with the content and quality of quarterly financial reports prepared by management during the year under review, in compliance with the statutory reporting framework.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

7.1 The audit committee has reviewed the audited financial statements for the year ended 31 March 2021 for the South African Diamond Precious Metals Regulator and has discussed matters of concern with management, Auditor-General as well as the Chief Executive Officer.

7.2 The audit committee has reviewed the Auditor-General's management report and management response thereto and directed management to develop a comprehensive action plan to address all issues raised by the Auditor-General. The audit committee will review the action plan and monitor implementation thereof during the quarterly audit committee meetings.

7.3 The audit committee reviewed the compliance with legal and regulatory provisions during the quarterly audit committee meetings and management has been directed to implement remedial measures where instances of non-compliance were noted.

7.4 The audit committee has reviewed the information on predetermined objectives to be included in the annual report as part of the review of the audited financial statements.

7.5 The audit committee has reviewed significant adjustments resulting from the audit as part of the review of the audited financial statements.

7.6 The audit committee hereby indicates its concurrence with the Auditor-General's conclusion on the annual financial statement as well as the unqualified audit opinion of the Auditor-General.

AUDITOR GENERAL OF SOUTH AFRICA

The AGSA team requested technical consultations and considered additional information and explanations. These additional considerations and resultant significant amendments to the annual financial statements resulted in the audit being finalized on 31 August 2021 instead of 31 July 2021 as legislated.

The Audit Committee concurs with and accepts the conclusion and audit opinion of the Auditor General on the annual financial statements and performance information. The Audit Committee noted the independence of the Audit General.

The Audit Committee notes that whilst the AG has issued an unqualified audit opinion as a result of management amending the annual financial statements, there are unresolved disagreements pertaining to the Audit outcome . a debriefing session is expected to take place to attend to these matters. Also refer to CEO report for further details.

On behalf of the Audit Committee

Mr V Magan
On behalf of the Chairperson of the Audit Committee

NOTES

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