MHSC

Mine Health & Safety Council

Annual Report **2012/2013**

Vision of the MHSC

The Mine Health and Safety Council has a vision to be the trusted advisor to the Minister of Minerals Resources and to stakeholders for the South African Mining Sector, as knowledge leader in occupational health and safety issues, towards the achievement of zero harm to mine workers, communities and the environment.

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of the MHSC

1. Mandate of the MHSC

Vision

The Mine Health and Safety Council has a vision to be the trusted advisor to the Minister of Minerals Resources and to stakeholders for the South African Mining Sector, as knowledge leader in occupational health and safety issues, towards the achievement of zero harm to mine workers, communities and the environment.

Mission Statement

To promote the culture of Occupational Health and Safety (OHS) in the mining industry, by striving towards zero harm, on all health and safety issues and legislation.

Values

- **We have a shared vision of promoting health and safety in the mining industry.**
- **We strive for excellence in everything we do.**
- **We support each other to perform effectively as a team.**
- **We show passion in our pursuit of objectives.**
- **We communicate clearly.**

Abbreviations and Terminology

2. Abbreviations and Terminology

AIDS	Acquired Immune Deficiency Syndrome
ATR	Annual Training Report
ARC	Audit and Risk Committee
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIOM	Chief Inspector of Mines
COP	Code of Practice
CROO	Chief Research and Operations Officer
CSIR	Council of Scientific and Industrial Research
CTAC	Culture Transformation Advisory Committee
DMR	Department of Mineral Resources
DoL	Department of Labour
HIV	Human Immunodeficiency Virus
HR	Human Resources
HRRAC	Human Resources and Remuneration Committee
MHSA	Mine Health and Safety Act (no 29 of 1996)
MHSC	Mine Health and Safety Council (Board)
MHSI	Mine Health and Safety Inspectorate
MOHAC	Mining Occupational Health Advisory Committee
MRAC	Mining Regulations Advisory Committee
MQA	Mining Qualifications Authority
NIHL	Noise Induced Hearing Loss
NOSHCON	National Occupational Safety and Health Conference
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act (no 1 of 1999)
SAMRASS	South African Mines Reportable Accidents Statistical Systems
SCM	Supply Change Management
SIMRAC	Safety in Mines Research Advisory Committee
TB	Tuberculosis

MHSC

Terms and Definitions

3. Terms and Definitions

Chief Inspector means the officer appointed in terms of section 48(1) of the Mine Health and Safety Act, 1996, and includes any officer acting in that capacity.

Council means the Mine Health and Safety Council established in terms of section 41(1) of the Mine Health and Safety Act, 1996.

Hazard means a source of, or exposure to danger.

Health refers to occupational health at mines.

Health hazard means any physical, chemical or biological hazard to health including anything declared to be a health hazard by the Minister.

Mines means any excavation and activity where mineral deposits are mined; all buildings, structures, machinery, dumps, roads or objects that are used during the mining, exploitation, and processing of a mineral.

Minister means the South African Minister of Mineral Resources.

Occupational health includes occupational hygiene and occupational medicine.

Occupational hygiene means the anticipation, recognition, evaluation and control of conditions at a mine that may cause illness or adverse health effects to persons.

Occupational medicine means the prevention, diagnosis and treatment of illness, injury and adverse health effects associated with a particular type of work.

Risk means the likelihood that occupational injury or harm to persons will occur.

Strategic objectives represent organisational outcomes that are critical to the achievement of the MHSC's mission for a period of five to ten years. Key activities and sub-activities are the output necessary to achieve the strategic objectives.

MHSC

Chairperson's Overview

4. Chairperson's Overview

During 2003 as a mining sector, we have set ourselves targets and milestones to improve Occupational Health and Safety (OHS), to be comparable with the best performing global mining countries, as a benchmark of our Occupational Health and Safety competitiveness. Year 2013 is the last year of the MHSC milestones for improving Occupational Health and Safety in the mining industry. Year 2014 will be our reporting year on the progress made in the last ten years.

It is now time to take stock of how far we have gone in this journey to achieve **Zero Harm**. This is a journey that will never end, as long as there are occupational health and safety related hazards and risks, to be managed by the mining sector. We have seen a number of companies going for a number of years without fatalities, which shows that **Zero Harm** is possible and achievable.

We have seen convergence and improvement in stakeholder relationships, driven by the desire to realise the shared vision of **Zero Harm** by the mining sector, with one objective of creating a working environment that is safe and healthy for our mine workers. There has been improvement in the implementation of the Culture Transformation Framework (CTF), which is a driver of culture change in the mining sector, changing the way the industry conducts its business regarding the management and approach to occupational health and safety issues.

The MHSC office is providing administrative and secretarial support and is responsible for the day to day operations. The office has undergone restructuring, with the creation of new posts to improve its effectiveness and efficiencies, in the delivery of services to the mining industry.

There is some improvement in the promotion and communication of our products and services provided by the MHSC to the mining industry, the increase of awareness of the MHSC in line of the MHSA. The provision and utilisation of the administrative fines will enhance promotion of occupational health and safety in the mining industry and increase awareness of the MHSC, in line with the MHSA.

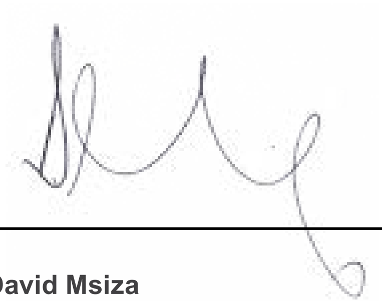
There was streamlining of the operational activities to ensure continuous improvement in the quality of services and products from the MHSC. There has been improvement in the completion of legislation and its promulgation. An additional advisory committee, the Culture Transformation Advisory Committee (CTAC), has been established within the MHSC, to advise the Council on the implementation of the Culture Transformation Framework initiatives and summit outcomes action plans. There is however still room for improvement in terms of being efficient and effective.

The other areas that will require improvement are the promotion of MHSC activities, project management, alignment of MHSC activities with the National Development Plan (NDP) initiatives, internal processes to support the Council and its committees, improvement of the role of governance structures to assist the Council on governance and risk management.

We have embraced principles of Good Corporate Citizenship, as part of sustainable development, and will incorporate this in our future business processes.

We will continue with our constructive engagements with the Mining Qualifications Authority (MQA), in ensuring that the mining industry has appropriate and adequate skills to ensure **Zero Harm**.

I wish to extend my sincere thanks to the MHSC Board, Committees: the SIMRAC, MOHAC, MRAC, MITHAC, CTAC, HRRAC, and the Audit and Risk Committee (ARC) members and our stakeholders, as well as the staff for their commitment towards pursuing the Vision of **Zero Harm** in the mining industry.



David Msiza
Chairperson of the Mine Health and Safety Council

The Mine Health and Safety Council

(MHSC)

5. The Mine Health and Safety Council (MHSC)

5.1 Mandate

The Mine Health and Safety Council was established in terms of section 41 (1) of the Mine Health and Safety Act, 1996 (Act 29 of 1996) as amended.

The mandate of the MHSC, is to do the following:

- Advise the Minister on Health and Safety at mines including, but not limited to, any legislation on mine rehabilitation if it concerns health and safety.
- Coordinate the activities of its committees, receive reports from the committees and liaise with the Mining Qualifications Authority (MQA) on matters relating to health and safety.
- Liaise with any other statutory bodies concerned with matters relating to health and safety.
- Promote a culture of health and safety in the mining industry.
- At least every two years arrange and coordinate a tripartite summit to review the state of health and safety of mines
- Perform every duty imposed upon the MHSC in terms of the MHSA.
- Annually advise the Minister on relevant research relating to health and safety at mines.

5.2 Profile

The MHSC is a tripartite structure comprised of representatives from the state, mine employees and mine owners.

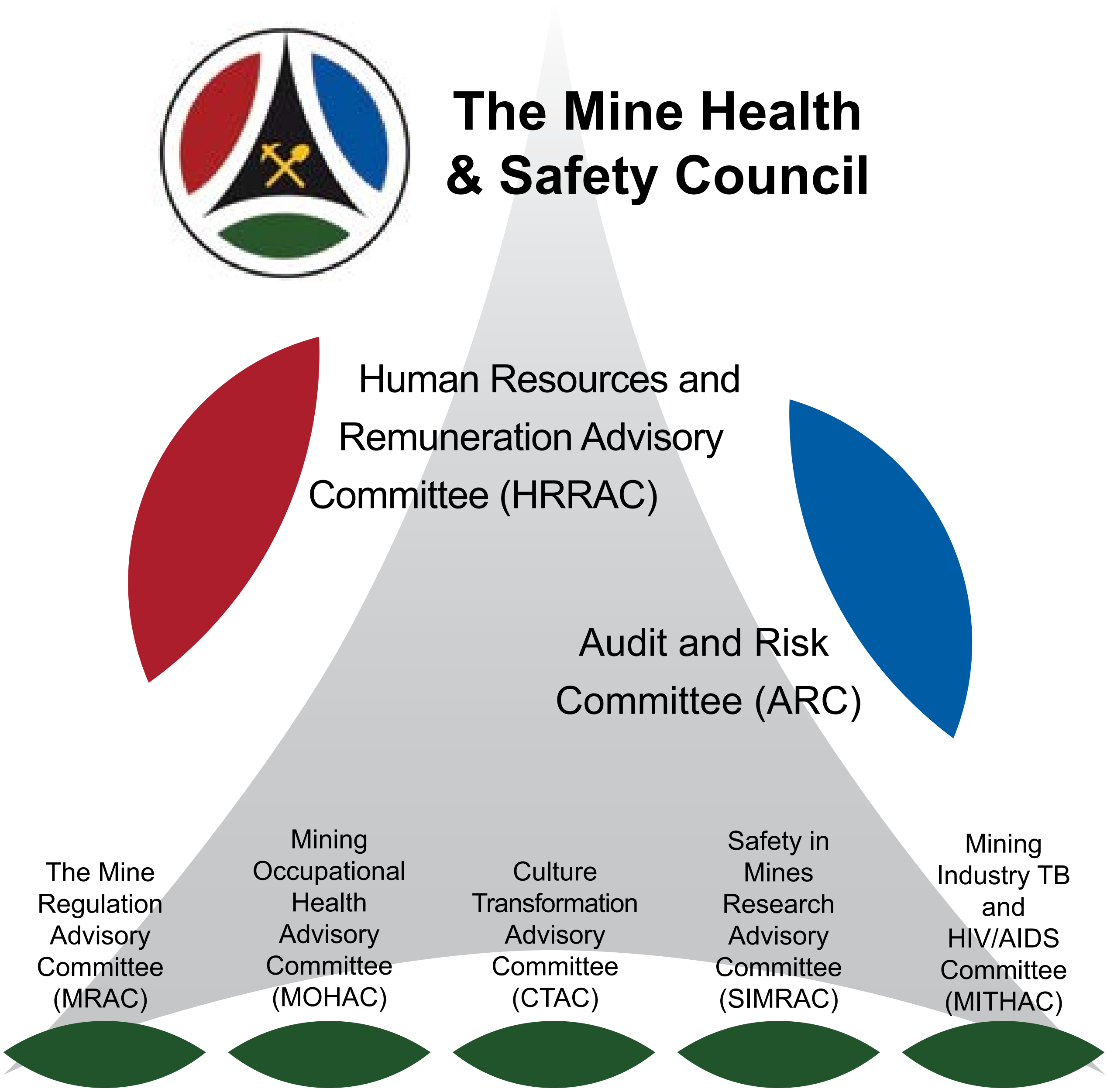
The MHSC Council is supported by the following structures in the execution of its mandate:

- Mining Regulation Advisory Committee (MRAC) to advise the MHSC on legislation, guidelines and standards.
- Mining Occupational Health Advisory Committee (MOHAC) to advise the MHSC on occupational health issues.
- Safety in Mines Research Advisory Committee (SIMRAC) to advise the MHSC on occupational health and safety research.

- Mining Industry HIV/AIDS and TB Advisory Committee (MITHAC) to advise the MHSC on HIV/AIDS and TB in the mining sector
- Audit and Risk Committee (ARC) to advise the MHSC on oversight requirements in line with PFMA.
- Human Resource and Remuneration Advisory Committee (HRRAC) to advise MHSC matters, related to Human Resource Management, including remuneration.

During the last quarter of the reporting period, the Council established the Culture Transformation Committee (CTAC), in line with the adopted Culture Transformation Framework.

This is shown graphically in figure 1 below:



CEO's Overview-

MHSC Office

6. CEO's Overview- MHSC Office

6.1 Research

South Africa has a significant amount of knowledge and expertise in mining from having more than 100 years experience in the industry. The mineral wealth and mining expertise has positioned South Africa as one of the world's leading mineral producers. There is still huge potential for the discovery of other world-class deposits in areas yet to be explored.

The nature of the mineral deposits in South Africa is vastly different in comparison to the rest of the world. Issues such as depth, low grade, narrow reef veins, geotechnical hazards, highly labour intensive, thermal gradients and energy demands places significant number of constraints and challenges for the sector to overcome to remain competitive and sustainable.

However the need to produce minerals cannot be at the expense of the lives of the many mine workers (close to 500 000 mine employees) that are employed within the sector. South Africa has introduced world class controls for Occupational Health and Safety (OHS) in the mining sector through the current Mine Health and Safety Act, Act 29 of 1996 as amended.

In order to ensure there is adequate focus in this area of Occupational Health and Safety (OHS), the Mine Health and Safety Council (MHSC) oversees research in OHS based on the sector performance as well as current and future needs.

The following research projects were approved by MHSC to be undertaken in the 2012-13 financial year:

- **SIM 120501** Noise Controls for Mining Equipment.
- **SIM 120201** Technology Transfer Support design for Bushveld Mines.
- In addition to these projects, the MHSC had continuation projects that had multi-year programmes.

The following research projects were completed in the 2012-13 financial year:

- **SIM 060201A** Rockfall Elimination-Measuring and Monitoring to reduce the rockfall risk.
- **SIM 100201** Integration of the SA National Seismograph Network and Database with Mining Networks.
- **SIM 060602** An investigation of Digital Chest Radiography in the South African Mining Industry (SAMI)

- **SIM 060802** Study to develop recommendation for selection of design, and management of protective eye equipment in the gold mining industry.

The following regulations were approved by MHSC in the 2012-13 financial year:

- Shafts and Winders.
- Refuge Bays.

The following Stakeholder Engagement Workshops were held at MHSC in the 2012-13 financial year:

- Regional Tripartite Forum.
- Personal Protective Equipment (PPE) for Women in the South African Mining Industry.
- Integration of SA National Seismograph Network and Database with Mining Networks.
- Occupational Health Information Management System (OHIMS).
- Fitness To Perform Work in a Mine.
- Workers Incapacity due to ill Health and Injury.

The challenges that face the mining sector at the moment might intensify in the future if adequate preventative measures are not implemented. There is increasing depth and other complexities associated with the South African mineral exploitation, so there is a need for a greater focus towards ensuring **zero harm**.

It is imperative that the focus on occupational health and safety in mining grows at the same or faster rate as the changes in its complexity.

The MHSC will continue to play the current pivotal role to drive legislation, oversee research and promote Occupational Health and Safety. The mining industry will have to continuously look at new methods and technologies, to exploit the abundant mineral resources, without negatively impacting on the health and safety of mine workers and communities.

6.2 Finance

The MHSC's finance role is to ensure sustainability and appropriate funding of MHSC's programmes, to enable MHSC to achieve its strategic objectives, through effective financial resourcing and efficient management.

In the financial year ended March 2013, the MHSC raised levies to the amount of R60 million from approximately 788 mines, and an amount of R55 million was collected. The Department of Minerals Resources contributed R4.5 million as a contribution towards administration expenses.

The MHSC extends its gratitude to the mines that continue to pay their levies on time. It is through their commitment that the MHSC is able to fund health and safety research projects, and various activities, with a purpose of improving the health and safety of the mine workers.

Out of the collected levies an amount of R10.9 million was spent towards health and safety related activities. In support of MHSC's commitment in OHS in the mining sector, there is R15.4 million worth of signed contracts for different projects that are still at various implementation stages. These contracts relate to research projects funded under SIMRAC and the 2011 Tripartite Leadership Summit Action Plan.

6.3 Corporate Services

The Corporate Services division provides support services to other divisions of the MHSC'S office in terms of human capital management, internal and external communication and promotion of the MHSC. It supports the MHSC's governance, compliance and management of risks function.

Corporate Services is a new division formed after the review of the MHSC structure, and it comprises of three units: Human Resources, Communications and Promotion and Governance, Risk and Compliance.

A climate survey was conducted to establish the organisational pulse relating to the working environment to determine how conducive it is towards efficient and effective service delivery. The outcomes of the survey will be incorporated into the business plans of each operational unit.

An awareness survey of the MHSC stakeholders was finalised, during the last quarter of the reporting period, to establish the level of awareness of the MHSC's services and products by the industry stakeholders.

6.4 Human Resources

The staff profile of the MHSC Office is as detailed below. The staff complement of the organisation is 43 with an additional five contract posts.

1. Comparison of Staff Profile – 2011/2012 and 2012/2013

Division	Approved Posts		Number of filled Posts	
	2011/12	**2012/13**	**2011/12**	**2012/13**
Office of the CEO	4	4	4	3
Research	11	15	8	9
Finance	12	13	12	11
Corporate Services	2	8	2	5
Information Technology	2	3	1	2
Total	**31**	**43**	**27**	**30**

Table 1: Comparison of Staff Profile – 2011/2012 and 2012/2013

2. Staff by level or category for each post filled– 2011/2012 and 2012/2013

Categories					
Senior Management		**Middle Management**		**Other Staff**	
2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
4	4	7	11	19	27

Table 2: Staff by level or category for each post filled – 2011/2012 and 2012/2013

3. As at 31 March 2013

Staff Turnover		
Category	**Number**	
	2011/12	2012/13
Senior Management	0	1
Middle Management	2	1
Other Staff Members	2	2
Total	**4**	**4**

Table 3: As at 31 March 2013

4. As at 31 March 2013

Reason for Terminations		
Reason for Termination	**Number**	
	2011/12	2012/13
Deaths	0	0
Resignation	4	4
Expiry of contract	0	0
Dismissal	0	0
Retirement	0	0
Total	**4**	**4**

Table 4: As at 31 March 2013

5. As at 31 March 2013

Staff Profile by Race							
Male							
African		**Coloured**		**Indian**		**White**	
2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
10	11	0	0	1	1	0	0
Female							
African		**Coloured**		**Indian**		**White**	
2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
11	12	1	1	2	3	2	2

Table 5: As at 31 March 2013

Note : Number of Staff with disabilities as at 31 March 2013 is 1 (African Male)

6.5 Information and Communication Technology (ICT)

The ICT division has aligned its information systems and technology infrastructure with the strategic business direction of MHSC.

In support of the MHSC's current vision and overall strategic objectives, ICT has formulated the following strategic intent that will assist MHSC to deliver an outstanding ICT support and advisory to:

- Position information as a strategic asset and decision making tool for the MHSC.
- Exploit ICT investments in order to realise measurable business benefits that enhances MHSC capacity on service delivery.
- Align governance, structure, processes, policies and procedures to best practices.

In the year under review, ICT has sought to stabilise its Internal General Controls (IGC) and to take the first steps toward putting sound structures and mechanisms in place. ICT is pleased to report on a number of significant developments and successes which include the following:

- **Strengthening governance and leadership through the establishment of IT Governance Framework.**
  - This involved the inclusion of all stakeholders, and the establishment and effective running of the relevant ICT governance structures, such as the ICT Steering Committee and Change Advisory Committee. This will ensure sustained alignment of ICT and the Council's strategy, legislative compliance, effective ICT risk management and efficient ICT resource utilisation.
- **Implementation of Automated Supply Chain Management (SCM) for the receipt and processing of procurement requisitions.**

- **Implementation of an Automated Performance Management System.**
  - This enables the MHSC to plan, implement and communicate strategy from the Council all the way down to divisional and individual level. This involved automating and cascading the strategic objectives scorecard to divisional plans and down to individual performance agreements. This also involved the integration of individual employee performance agreements with the departmental performance targets.
- **Enhancing policies and internal controls.**
  - Reviewed current IT policies, procedures and guidelines and made enhancements so as to resolve IT audit findings.
- **Focused alignment with the Council and key role players.**

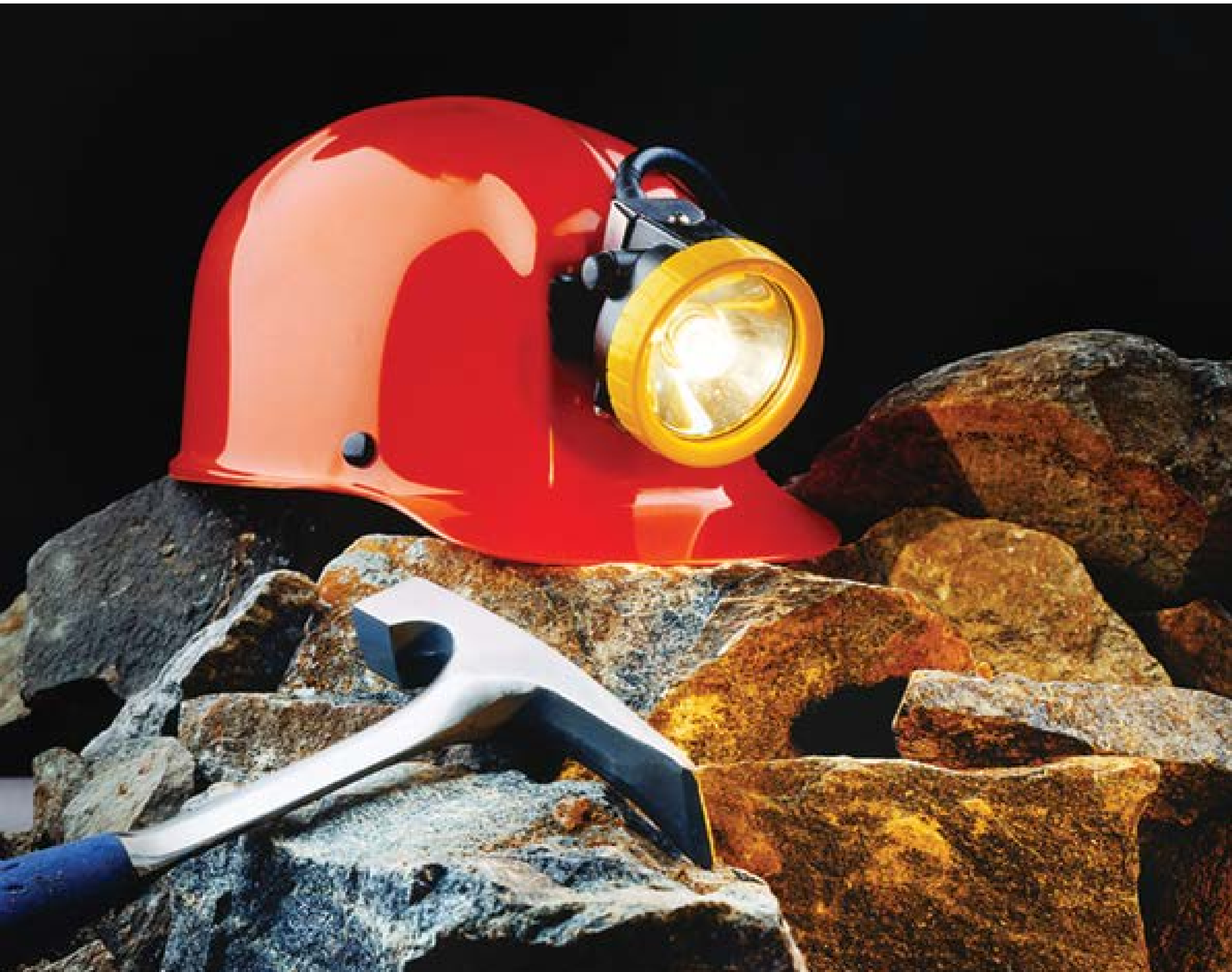
The MHSC is constantly testing and measuring its systems to ensure availability, performance and data security by means of disaster recovery, mine penetration testing, health checks and audits. To ensure the success of the above initiatives, an effective ICT architectural environment is critical.

MHSC is modernising its ICT infrastructure through the optimisation of the base architecture, which makes provision for a resilient Microsoft Hyper-V Virtualisation Platform that will become central to the delivery of services, in line with the trends in the ICT industry. This will include improved network infrastructure and data centre, a robust ICT service continuity plan, enhanced ICT security and support infrastructure for mobile computing.

MHSC is a knowledge-driven organisation that relies heavily on individual expertise to generate and process knowledge to achieve the Council's strategic goals. Staff turnover is a serious risk to the continuation of the of the organisation work. A knowledge management strategy that is being formulated is essential to ensure that knowledge created during the performance of employees' duties is appropriately preserved and utilised.

During this period, greater focus has been on the management of knowledge as a strategic asset, and on encouraging the sharing of knowledge. The effective implementation of the knowledge management strategy requires an automated system that will outlive the current employees. The foundation for an automated system have been laid in terms of making significant investments, in the latest hardware technology, systems and infrastructure to support knowledge management.

MHSC Performance Report



7. MHSC Performance Report

The Mine Health and Safety Council revised its strategic priorities taking the following into account:

- Opportunities and challenges facing the broader mining industry.
- Past performance of the Mine Health and Safety Council and progress made on the strategic objectives.
- A review of the relevance and efficacy of existing strategic objectives.
- The mandate of the MHSC and its statutory committees.
- A review of the MHSC's internal strengths and weaknesses.
- Current and future opportunities and challenges facing occupational health and safety in the mining industry.

During the period under review, the following highlights were reported against the below-mentioned strategic objectives. A five–year rolling MHSC Strategic Plan was approved by members of the MHSC and implemented during the period under review. The MHSC developed and successfully implemented the Balanced Scorecard approach to monitor performance against the strategic objectives.

The core principles of the four key perspectives within the BSC are shown below in figure 1.

1. Customer Perspective	2. Internal Business
Strategy for creating value and differentiation from the perspective of the customer	Strategic priorities for various business processes that create customer and stakeholder satisfaction
3. Learning and Growth	**4. Financial Perspective**
Priorities to create a climate that supports organisational change, innovation and growth	Strategy for growth, sustainability and risk viewed from the perspective of the stakeholder.

Figure 1: Principles of the BSC approach

Figure 2 below illustrates the strategic objectives within the four key perspectives of the BSC.

<table>
<tr><th rowspan="2">Customer/ Stakeholder</th><th>CO2</th><th>CO1</th><th>CO3</th><th>CO4</th></tr>
<tr><td>Provision of advice reports that influences mining health and safety performance</td><td>Promote the improvement of the culture of Health and Safety in the Mining Industry</td><td>Strengthen tripartite partnerships through communication and promotion of the MHSC programmes</td><td>Implement the MHSC initiatives from the Summit action plans</td></tr>
<tr><th rowspan="2">Internal Processes</th><th colspan="2">IPO3</th><th colspan="2">IPO1</th></tr>
<tr><td colspan="2">Achieve operational excellence through efficient core business processes</td><td colspan="2">Become a knowledge leader in mine health and safety through conducting focused research</td></tr>
<tr><th rowspan="2">Learning and Growth</th><th colspan="2">LO1</th><th colspan="2">LO2</th></tr>
<tr><td colspan="2">Ensure adequate capacity and skills to deliver on mandate</td><td colspan="2">Enhance knowledge and information management to support staff and clients</td></tr>
<tr><th rowspan="2">Financial</th><th colspan="2">FO1</th><th colspan="2">FO2</th></tr>
<tr><td colspan="2">Ensure financial sustainability of MHSC</td><td colspan="2">Ensure appropriate financial resources for all MHSC programmes in order to deliver on objectives</td></tr>
</table>

Figure 2: MHSC Strategic Map

7.1 Performance Overview

The main focus for the MHSC in the financial year of 2012/13 was to improve the culture of occupational health and safety in the mining sector using various initiatives. This was done through promoting the MHSC objectives relating to the Culture Transformation Framework (CTF), the Tripartite Leadership Summit Outcomes which was held in November 2011 on Occupational Health and Safety as well as HIV/AIDS and TB.

In addition, to ensure implementation of the Mining Charter requirements, there was also focus on the dissemination of completed research projects, to assist in implementing research outcomes.

At the 2012 MineSafe Conference emphasis was put on the Culture Transformation Framework (CTF) through the participation of the MHSC. The MHSC facilitated and chaired a panel discussion with members from the various stakeholder groupings on the issues on the Culture Transformation Framework. The MHSC Office received an overwhelming number of pledges from conference attendees for the Culture Transformation Framework implementation.

Culture Transformation Framework

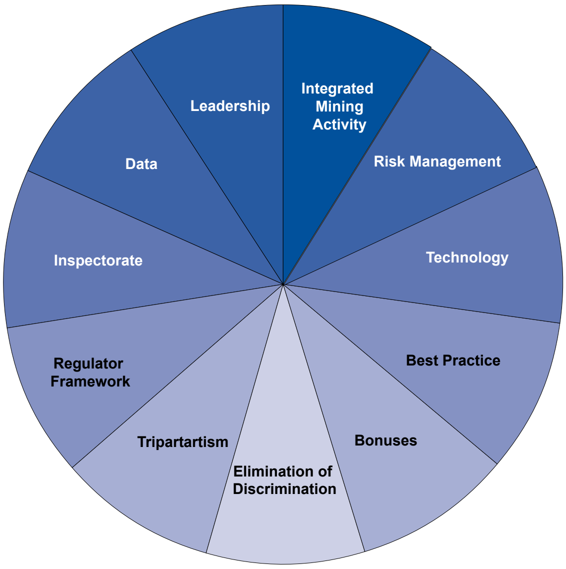


Figure 3: Culture Transformation Framework

Figure 4: Panel discussion at MineSafe on CTF

There was an increased focus on the dissemination of completed research projects by implementing the Mining Charter requirements, completed research projects were presented at both 2012 MineSafe and the NOSHCON conference series.

In the 2012/2013 financial year, five stakeholder workshops on Personal Protective Equipment for Women in Mining, Workers Incapacity and Fitness for Work, Occupational Health Information Management Systems and Regional Tripartite Forums were held.

Figure 5: Workshop Personal Protective Equipment for Women in Mining

The development and the establishment of the centre of excellence for the MHSC is nearing completion. It is expected to be finalised in the first quarter of the next financial year.

7.2 Achievements and Progress on Research Projects

The following sections provide a summary of some of the projects that have been completed in 2013/14.

Project: Seismograph network and database with mining networks as per the recommendation in chapter 1 of the Presidential Mine Health and Safety Audit 2008 Report

The work conducted within this project aims to address the recommendation as part of outcome of the Presidential Mine Health and Safety Audit 2008.

The Klerksdorp-Orkney-Stillfontein-Hartbeesfontein (KOSH) gold mining region was identified as the pilot study area. Through this pilot phase, the Council for Geoscience (CGS) was appointed to conduct research to integrate the monitoring of mines seismicity within the KOSH region between the underground mining networks and the South African National Seismograph Network (SANSN) using the newly installed surface stations.

These stations send data in real-time to the central data centre in Pretoria where it is automatically processed and to establish the location of seismic events. The information can then be sent to the relevant authorities. The automatic locations remain preliminary until they have been checked by a seismological analyst and then they are released as the final locations. These automatic locations are performed by an analytical software which is compatible with the new equipment and which can alert relevant personnel when there is an event.

In order to supplement the supply of data from the 25 new stations, this project aims to also integrate the wealth of information concerning mining-related seismic events which resides with each of the mines. This information will be of great value for research into rockbursts, especially if it is integrated with data from each network and the SANSN.

By working intimately with the database, and through consultation with the mines, the DMR, and the MHSC, and during a recent workshop with other stakeholders, the CGS has gained a better knowledge of what type of research is still outstanding and the areas where research is urgently required in order to address the safety in the mines.

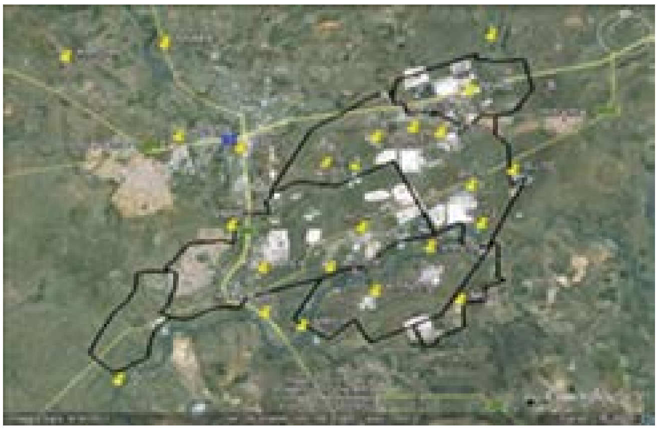


Figure 6: Map of the 25 seismological stations installed in and around the KOSH region

Figure 7: The display used to monitor the SOH of the stations and the data flow to the CGS.

Some of the equipment used in the initial stages is shown below:

Figure 8: Instrumentation for the seismic network

The type of data that is recorded and updated on the KOSH area map is shown below

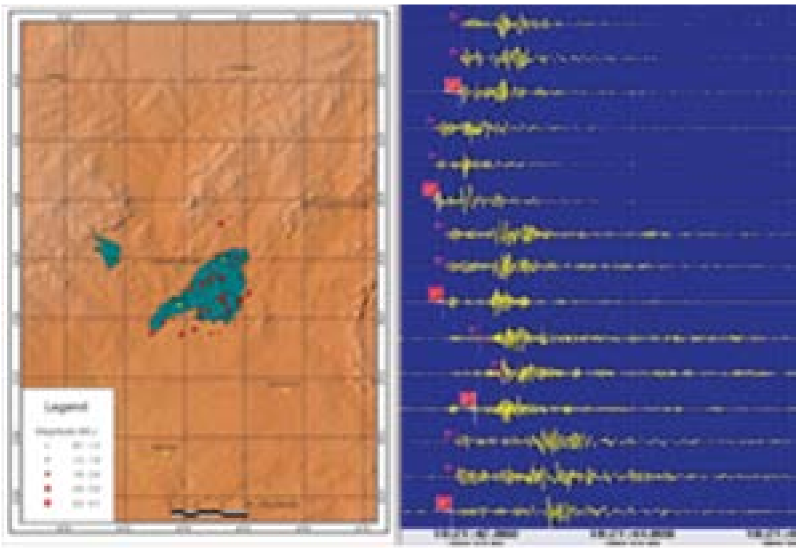


Figure 9: Data from sites

There was a general consensus that the combined data from both the national and mining networks will add value to all research carried out and that all entities involved should assist and collaborate with seismicity each other.

Project: Elimination of rockfalls – measuring and monitoring to reduce the rockfall risk

SIM 060201 Track A has been a three year project contracted to CSIR and MIDDindi to develop procedures and methodologies towards the elimination of rock falls. Track A, specifically, placed the emphasis on measuring and monitoring techniques to reduce the rock fall risk.

The proposed primary outputs of the project and the final deliverables were as follows:

- Interpret the predominant and critical mechanisms involved in rock falls.
- Identification of critical parameters that will assist in signalling an alarm before a rock fall.
- Design instrumentation that will allow practical collection of critical data.
- Design algorithms that are able to combine critical parameters to activate an alarm.
- Measurement of precursory indications of rock falls. Comprehensive field testing of the techniques.
- Identify new approaches that will stop or ameliorate the effects of rock falls.

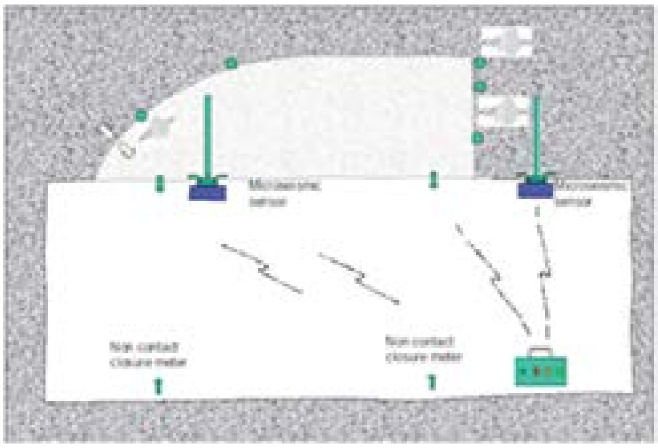


Figure 10: Personnel Area Safety System

Figure 11: Integrated Thermal Imaging and Acoustic Sounding Device (ITA)

The most significant outcome of the project, has been the validation of thermal imaging and acoustic sensors, as the ideal technology for use during entry examination. The most common attribute to falls to the ground resulting in injuries, or fatalities, are small falls happening in the panel within meters from the face.

The technology used to improve the effectiveness of entry examination has the potential to provide a significant positive impact on mine safety. For that reason it is recommended that both the “Integrated Thermal Imaging and Acoustic Sounding Device (ITA) and the ‘Personal Area Safety System “(PASS) be industrialised to a level of a commercially ready prototype.

Further research was recommended to be conducted towards optimising the performance of the in-stope sensors units in a ‘noisy’ environment. The microseismic sensors, are ineffective when drilling or cutting occurs in the immediate vicinity of the sensors.

7.3 Other Achievements

Stakeholder Engagement Workshops

The last decade, has seen an advent of women in the mining sector. This increase of women in the previously male dominated arena of mining has led to many challenges. One of these challenges that have troubled women is the use of the Personal Protective Equipment (PPE) as it has not taken the female body shape into account.

Other issues surveyed were the lack of adequate toilet facilities for women in the mines. These unacceptable hygiene conditions posed a specific risk for women with regard to developing infections. The underwear that women use to adapt to their PPE contributes to their health problems and includes infections, chaffing and rashes. It is important to note that a large percentage of women experience back pain, abdominal pain and skin diseases. Current PPE for WIM indicating dissatisfaction in the workforce is highlighted below.

Figure 12: Current PPE for Women in Mining

The workshop's purpose was to discuss the research outcomes and recommendations of research conducted, to establish Personal Protective Equipment (PPE) related challenges by women in the mining sector. The workshop proved incredibly successful, and as a result of this an advisory note was developed on the implementation of the research outcomes, in terms of the short and long term goals in addressing the PPE challenges women are facing in the mining industry.

7.4 MHSC Strategic Objectives

During the period under review, the following highlights were reported against the below-mentioned strategic objectives. In order to assist the interpretation of the performance analysis, the MHSC determines performance according to the following:

Legend		
If the performance is greater than 85% of the planned target then it is considered Achieved	If the performance is between 75% and 85% of the planned target then it is considered Partially Achieved	If the performance is less than 75% of the planned target then it is considered Not Achieved

The details against each of the objectives is provided below for each objective:

PERSPECTIVE
Customer / Stakeholder

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
1. Promote the improvement of the Health and Safety Culture in the Mining Industry	Average percent implementation level of the OHS culture framework	25%	61%	>100%	ACHIEVED
		Formula: Average %age score of five pillars per pillar = sum of {Average of (Leadership Pillar) + Average of Risk Pillar + Average of Discrimination Pillar + Average of Best practice Pillar + Average of Incentives Pillar} / number of pillars			

ACHIEVEMENTS
The results of this shows that the scoring is as follows:

- Pillar 1: Leadership is 28%
- Pillar 2: Risk Management is 75%
- Pillar 3: Bonus and Performance Incentives is 60%
- Pillar 4: Leading Practice is 67%
- Pillar 5: Elimination of Discrimination is 75%.

VARIANCE

- The performance against the five prioritised pillars was greater than anticipated. The possible conservative approach to setting of targets was due to the fact that this was a new initiative with a high degree of uncertainty.

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
2. Provision of advice reports that influence mining health and safety performance	Number of all advice reports submitted by Council to the Minister	8	2	25%	NOT ACHIEVED
		Formula: Count of reports			

PERSPECTIVE
Customer / Stakeholder

ACHIEVEMENTS
For the year, the MHSC submitted the following
- SAMRASS Codebook
- Shafts and Winders

VARIANCE
- The MHSC considered the following documents as submitted by the advisory committees in the final quarter of the year. These were:
- Refuge Bays Regulations
- Guidelines on COP for Mineworkers Incapacity due to ill health
- Guidance note for the management of TB in the South African Mining Sector
- Guidelines on COP for Fitness to perform work on a mine
- Guidelines on Mandatory COP for Risk based Emergency Care on a mine
- The MHSC meeting for approval was a month post after the closure of the financial year and could not be reflected as an achievement for the year.

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
3. Strengthen Tripartite partnerships through communication and promotion of the MHSC programmes	% increase in awareness of the MHSC programmes at mine level and corporate centres	77%	77%	100%	ACHIEVED
		Formula: Awareness survey = average of the score from the submissions received on the awareness survey conducted.			

ACHIEVEMENTS
- The survey was developed and sent to 204 operating mines however not all of them replied to the survey. The response is low however it does show that compared to a 57% response last year that there has been an increase in safety awareness.

Other achievements for the year that focused on promotion
Promotion of the MHSC has taken place at the following events:
- Mine Medical Professional Association
- Presentations to Wits University students and staff
- The Mining Lekgotla
- Promotion of the MHSC at the Merafong Tripartite Forum
- Attendance at the Anglo American Tripartite Forum
- Attendance at the Northern Cape Tripartite Forum
- Presentations made to the DMR offices in Rustenburg
- Presentations made at MineSafe 2012
- MHSC hosted the panel discussion on the CTF at MineSafe 2012.

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
4. Implement Summit Agreements	Progress of the implementation of the Summit Action Plan	60% of 2011 plan	84%	>100%	ACHIEVED
		Formula: Number of action plans implemented / total number of plans x 100			

PERSPECTIVE
Customer / Stakeholder

ACHIEVEMENTS

- The MHSC has implemented the recommendations of the Summit Commitments and commenced work on the various projects as outlined in the OHS and HATS SAP.
- Out of 59 plans in total, 18 out of 22 from HATS SAP have been initiated and are in various stages of progress. 32 out of 37 of the OHS SAP have been started and are in various stages of completion.
- The average progress for the year for the two SAP are as follows:
  - OHS SAP overall progress to date is 65% HATS SAP overall progress is 40%.
  - The Centre of Excellence is fairly well advanced – a draft model has been developed.

VARIANCE

The increase in performance has been as a result of increased focus and delivery on the Cultural Transformation Framework and the Centre of Excellence.

OBJECTIVE: INTERNAL PROCESSES

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
1. Become a knowledge leader in mine health and safety through conducting focused research	Technology transfer and adoption of identified research	30%	100%	>100%	ACHIEVED
		Formula: Ratio of adopted/transfer of research projects to the number identified research outcomes			

ACHIEVEMENTS

- At the outset of the financial year, the technology transfer for the rock engineering project was approved. The project for the thermal stress technology transfer game was approved in the final quarter.

Other achievements

1. Presentations were made to the Rock Eng Tech Committee of CoM on safety related projects completed for the year.
2. The research programme for 2012/13 was approved.
3. Research projects were presented at NOSHCON and MineSafe conferences.

VARIANCE

- No negative variance as the target was achieved, since only two research projects were identified. There were other technology transfer opportunities that took place via conferences and symposia.

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
2. Achieve operational excellence through efficient core business processes	Number of process mapped, reviewed and implemented	5	6	>100%	ACHIEVED
		Formula: Count of processes			

OBJECTIVE: INTERNAL PROCESSES

ACHIEVEMENTS

The following areas were identified, reviewed, updated and approved:

- SCM
- Debt management
- Petty Cash
- Research Management
- IT Governance
- Human Resources.

VARIANCE

- From the audit findings of the previous year, the MHSC identified six topics and over achieved on the target.

LEARNING AND GROWTH

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
1. Ensure adequate capacity and skills to deliver on mandate	% Improvement of overall performance achievement of Balanced Scorecard	83%	87%	>100%	ACHIEVED
		Formula: (Current year performance > last year performance + 10%) Last year the MHSC scored 73%. The target for 2012/2013 was set at 10% improvement on last year = 83%.			

ACHIEVEMENTS

- The target was achieved for the year.
- Last year the MHSC scored 73% and the target for 2012/2013 was set at 10% improvement on last year = 83%.

VARIANCE

- Significant effort in all the areas has yielded good reward.

Objective	Measure	Target for the year	Actuals	% of target obtained	Status
2. Enhance knowledge and information management	Improved organisational memory by securing and retaining information/data	4	3	75%	PARTIALLY ACHIEVED
		Formula: No of information management initiatives implemented			

ACHIEVEMENTS

- IT Governance Framework developed and approved – achieved
- Implement IT Governance Framework is in progress – achieved
- Implement a Knowledge Management System - in the process of procuring a document management system.
- Implement and review Project and Performance Management Systems. Internal Performance Management System has been procured and is being implemented. In the process of procuring a consolidated project management system.

VARIANCE

- The inability to secure the Knowledge information System, as well as the Project Management system, was superseded by the need to implement critical aspects pertaining to IT governance matters.

FINANCIAL					
Objective	**Measure**	**Target for the year**	**Actuals**	**% of target obtained**	**Status**
1. Ensure financial sustainability of MHSC	Percentage of income collected	90%	92%	>100%	ACHIEVED
		Formula: Value of income collected/ total value levied for the year x 100			

ACHIEVEMENTS

- The uncollected debtors mostly relate to mines that were written off in the 2011/12 financial year. The effect of the three year billing cycle has completed its cycle, by sending the last invoicing, that related to these mines, in the current billing period.

VARIANCE

- Good processes and systems has seen the over-delivery on the target.

Objective	**Measure**	**Target for the year**	**Actuals**	**% of target obtained**	**Status**
2. Ensure appropriate financial resource for all MHSC programmes in order to deliver on objectives	Maintain spending in line with approved budget variance	20%	6%	>100%	ACHIEVED
		Formula: (Budget – expenditure)/80% of planned budget			

ACHIEVEMENTS

- Monthly variance reporting
- Of the targeted expenditure of 80% of the planned, the MHSC achieved 94% expenditure, thus for the year to date the budget has been under-spent by 9%

VARIANCE

- Increased focus on project management saw the delivery on research projects that resulted in an actual overspending of 31% for the last quarter of the financial year.

MHSC

Council

Report

8. Council Report

The MHSC discharged its governance mandate through systems that ensured management was running the day to day affairs of the MHSC properly, and within applicable legislative framework.

In accordance with the Public Finance Management Act and the King III report, the Council reviewed processes followed by the management in identifying and mitigating risks through the reports of the Audit and Risk Committee, as regards the effectiveness of the systems of internal controls and risk management. The Council approved the yearly events calendar that ensured reporting was done as stated in the legislation. The Council approved policies that served to create certainty, fairness, accountability, responsibility and transparency.

Council

Committees

9. Council Committees

9.1 The Mine Health and Safety Council

The Council is made up of the following 15 members:

- Four members from the State (Department of Mineral Resources).
- Five members from Organised Labour (National Union of Mine Workers *(NUM)*, The Union *(UASA)*and Solidarity).
- Five members from Employers (the Chamber of Mines).
- The MHSC is chaired by the Chief Inspector of Mines.

Table 6 Attendance of MHSC members

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr D Msiza (Chairperson)	5	3	For meetings not attended the Acting Chairperson attended
Mr T Dube	5	3	Member until 28 February 2013
Dr L Ndelu	5	4	Alternate attended for meetings not attended
Ms N Masekoa	5	5	Attended all
Mr X Mbonambi	5	4	Alternate attended for meetings not attended
Organised Labour			
Mr M Nhlapo	5	4	Alternate attended for meetings not attended
Mr E Gcilitshana	5	3	Alternate attended for meetings not attended
Mr P Hlabizulu	5	4	Alternate attended for meetings not attended
Mr F Stehring	5	1	Alternate attended for meetings not attended
Mr L McMaster	5	3	Alternate attended for meetings not attended

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
Employers			
Dr T Balfour-Kaipa	5	5	Attended all
Mr H Rex	5	4	Alternate attended for meetings not attended
Mr T Masondo	5	1	Alternate attended for meetings not attended
Mr H C van der Merwe	5	0	Alternate attended for meetings not attended
Mr M Munroe	5	5	Attended all

9.2 Audit and Risk Committee (ARC)

The Committee is constituted to review the control, governance and risk management within the Institution, established in terms of section 77 of the Public Finance Management Act (PFMA). The attendance is reflected in table 7 below:

Table 7 Attendance of ARC members

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Ms B Gumbu	5	5	Attended all
Organised Labour			
Mr J Hugo	5	4	Absent for 1 meeting
Employers			
Mr H Groenewald	5	4	Absent for 1 meeting
Independent Members			
Ms T Sihlaba (Chairperson)	5	5	Attended all
Mr Z Fihlani	5	3	Member until December 2012
Mr R Theunissen	5	2	Member from 1 October 2012

9.3 Safety in Mines Research Advisory Committee (SIMRAC)

This committee is responsible for advising the MHSC on research programmes, needed to improve OHS in the mining sector, by reviewing OHS risks based on the statistics of prior years and evaluating research proposals. Table 8 below shows SIMRAC members and the number of meetings held in the year.

Table 8 Attendance of SIMRAC meetings

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr T Dube (Chairperson)	4	4	Member until 28 February 2013
Ms N Masekoa	4	3	Alternate attended for meetings not attended
Ms C Kekane	4	3	Alternate attended for meetings not attended
Mr J Jooste	4	4	Attended all
Mr T Motitimi	4	4	Attended all
Ms D Lekoba	4	2	Member from 1 June 2012
Mr W Mmutlane	4	1	Member from 1 March 2013
Organised Labour			
Mr E Gcilitshana	4	1	Alternate attended for meetings not attended
Mr A Rikhotso	4	4	Attended all
Mr I Sakala	4	3	Alternate attended for meetings not attended
Mr L McMaster	4	3	Alternate attended for meetings not attended
Mr J Boning	4	1	Member from 1 January 2013
Dr W Rymon -Lipinski	4	4	Attended all
Employers			
Dr K Baloyi	4	2	Member until 31 December 2012
Mr V Nundlall	4	0	Member from 1 January 2013
Mr M Biffi	4	1	Member from 1 January 2012
Dr B Madolo	4	4	Attended all
Mr I Goolam	4	2	Alternate attended for meetings not attended

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
Prof J du Plessis	4	1	Member until 30 November 2012
Dr B Chicksen	4	1	Member from 30 November 2012
Ms L Tsele	4	2	Member from 1 May 2012
Mr B Mongoma	1	1	Member from 1 January 2013
Mr A van Wyk	1	0	Member from 1 January 2013

9.4 Mining Regulation Advisory Committee (MRAC)

The MRAC advises the MHSC on reviewing, developing or amending legislation that impact OHS in the South African Mining industry. In addition the committee develops guidelines for Codes of Practice. table 9 below shows members of MRAC and the number of meetings held in the year.

Table 9 MRAC attendance for the year 2011/2012

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr X Mbonambi (Chairperson)	7	7	Chairperson from 1 June 2012
Mr A Coutinho	7	6	Alternate attended for meetings not attended
Ms B Senabe	7	7	Attended all
Mr F Nkuna	7	4	Alternate attended for meetings not attended
Mr G Ndamse	7	1	Alternate attended for meetings not attended
Organised Labour			
Mr P Mardon	7	3	Alternate attended for meetings not attended
Mr A van Heerden	7	3	Alternate attended for meetings not attended
Mr L.Mekuto	7	3	Alternate attended for meetings not attended
Ms M Llale	7	3	Member from 1 September 2013

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
Employers			
Mr A van Achterbergh	7	6	Alternate attended for meetings not attended
Ms C Dixon	7	3	Alternate attended for meetings not attended
Mr M Veti	7	2	Alternate attended for meetings not attended
Mr A Palane	7	2	Alternate attended for meetings not attended

9.5 Mining Occupational Health Advisory Committee (MOHAC)

This committee advises the Council on occupational health issues that impact on mine workers through reviewing policies, regulatory mechanism, standard systems and procedures for assessing, avoiding, controlling and minimising occupational health risks. Members attendance of MOHAC and the number of meetings held in the year is shown in table 10.

Table 10 Attendance at MOHAC

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Ms N Masekoa	5	3	Alternate attended for meetings not attended
Dr L Ndelu	5	4	Alternate attended for meetings not attended
Dr D Mokoboto	5	5	Member until 31 Oct 2012
Mr J Legadima	5	3	Member until 31 Oct 2012
Mr T Motitimi	5	3	Member until 31 Oct 2012
Ms A van der Merwe	5	1	Member until 31 May 2012
Mr N Mokhanoana	5	2	Member from 1 Nov 2012
Ms C Kekana	5	2	Member from 1 Nov 2012
Ms D Lekoba	5	1	Member from 1 Nov 2012
Organised Labour			
Mr A Letshele	5	3	Alternate attended for meetings not attended
Mr P Mira	5	4	Alternate attended for meetings not attended

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
Ms H van Vuuren	5	4	Alternate attended for meetings not attended
Mr D Selebogo	5	2	Alternate attended for meetings not attended
Mr I Sakala	5	1	Alternate attended for meetings not attended
Employers			
Dr K Baloyi	5	2	Member until 31 December 2012
Dr D De Villiers	5	0	Member from 1 January 2013
Dr C Mbekeni	5	1	Member from 1 January 2012
Dr C Badenhorst	5	4	Absent for 1 meeting
Mr M Beukes	5	2	Alternate attended for meetings not attended

9.6 Mining Industry TB and HIV/AIDS Committee (MITHAC)

This committee advises MHSC on TB & HIV/AIDS policies in order to improve health and safety performance of the mining industry and the committee composition for the year was as follows in table 11.

Table 11 MITHAC attendance

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Dr L Ndelu (Chairperson)	5	2	Chairperson from 17 May 2012
Dr D Mokoboto	5	5	Attended all
Mr M Sekoele	5	5	Attended all
Ms N Masekoa	5	1	Alternate attended for meetings not attended
Mr D Mametja	5	1	Member from 18 April 2012
Ms T Chidarikire	5	0	Alternate attended for meetings not attended
M. N Singh	5	0	Alternate attended for meetings not attended

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
Organised Labour			
Mr C Mkhumane	5	2	Alternate attended for meetings not attended
Mr A Thobela	5	2	Alternate attended for meetings not attended
Mr I Sakala	5	2	Alternate attended for meetings not attended
Ms H Van Vuuren	5	4	Alternate attended for meetings not attended
Ms M Llale	5	0	Member from 1 September 2012 - Alternate attended for meetings not attended
Employers			
Dr K Baloyi	5	3	Alternate attended for meetings not attended
Dr J Steele	5	4	Alternate attended for meetings not attended
Dr L Rametsi	5	2	Alternate attended for meetings not attended
Dr B Ramantsi	5	0	Alternate attended for meetings not attended
Ms S Ntimbane	5	3	Alternate attended for meetings not attended

9.7 Human Resources Remuneration and Advisory Committee (HRRAC)

This Committee advises the MHSC on human resources matters in general including the remuneration of employees.

Table 12 HRRAC attendance

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr N Maleka	5	4	Member tendered apology
Ms N Likhethe	5	0	Member tendered apology
Organised Labour			
Mr F van Straten	5	2	Alternate attended for meetings not attended

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
Mr L McMaster	5	1	Alternate attended for meetings not attended
Mr P Mardon	5	2	Alternate attended for meetings not attended
Employers			
Mr N Pienaar	5	5	Chairperson
Mr B Boatard	5	0	Alternate to the Chairperson

9.8 Council Effectiveness

Under the period of review Council implemented the effectiveness documents adopted in the previous financial year. The documents referred to are the following:

- Council charter.
- Code of practice for Council and committees.
- Role of chairpersons.
- Role of members.
- Competency requirement for members.

MHSC

Annual

Financial Statements

for the year ended 31 March 2013

10. Annual Financial Statements

Accounting Authority's Responsibilities and Approval

The Council is required by the Public Finance Management Act, to maintain adequate accounting records and is 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 Council to ensure that the annual financial statements fairly present the state of affairs of the MHSC, 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 are employed 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 the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The Council acknowledges that it is ultimately responsible for the system of internal financial control established by the MHSC and places considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council 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 MHSC and all employees are required to maintain the highest ethical standards, in ensuring the MHSC's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the MHSC is on identifying, assessing, managing and monitoring all known forms of risk across the MHSC. While operating risk cannot be fully eliminated, the MHSC endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is of the opinion, based on the information and explanations given by management, plus the system of internal control, provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The annual financial statements set out on pages 53 to 105, which have been prepared on the going concern basis, were approved by the Council on 31 May 2013 and were signed on its behalf by:

Mr T Dube
Chief Executive Officer

Mr D Msiza
Chairperson of the Council

Audit Committee Report

We are pleased to present our report for the financial year ended 31 March 2013.

Audit committee members and attendance

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Ms B Gumbu	5	5	Attended all
Organised Labour			
Mr J Hugo	5	4	Absent for 1 meeting
Employers			
Mr H Groenewald	5	4	Absent for 1 meeting
Independent Members			
Ms T Sihlaba (Chairperson)	5	5	Attended all
Mr Z Fihlani	5	3	Member until December 2012
Mr R Theunissen	5	2	Member from 1 October 2012

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from Section 38(1)(a)(ii) of the PFMA and Treasury Regulation 3.1. The audit committee reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter, and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted, in terms of the PFMA, met the expected standards of reporting and formats.

Evaluation of annual financial statements

The audit committee has:

- Reviewed and discussed the audited annual financial statements, to be included in the annual report, with the Auditor-General and the Accounting Authority.
- Reviewed the Auditor-General of South Africa's management report and management's response.

- Reviewed changes in accounting policies and practices and reviewed the entities compliance with legal and regulatory provisions and reviewed significant adjustments resulting from the audit.

The audit committee agree with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the MHSC and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee: 

Date: 30 August 2013

Accounting Authority's Report

The members submit their report for the year ended 31 March 2013.

1. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2. Subsequent events

The Council is not aware of any matter or circumstance arising since the end of the financial year.

3. Members' interest in contracts

Members of the Council are appointed by the Minister of Mineral Resources from the recommendations submitted by the employer, state and organised labour stakeholders. As a standing procedure, members are made to declare their interests at all meetings, in which decisions are taken. For the period under review, it has not come to the attention of the Council that there were any conflicting roles to which any of the members was introduced.

4. Accounting Authority

The members of the MHSC during the year and to the date of this report are as follows:

Member's name for each stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr D Msiza (Chairperson)	5	3	For meetings not attended the Acting Chairperson attended
Mr T Dube	5	3	Member until 28 February 2013
Dr L Ndelu	5	4	Alternate attended for meetings not attended
Ms N Masekoa	5	5	Attended all
Mr X Mbonambi	5	4	Alternate attended for meetings not attended
Organised Labour			
Mr M Nhlapo	5	4	Alternate attended for meetings not attended
Mr E Gcilitshana	5	3	Alternate attended for meetings not attended
Mr P Hlabizulu	5	4	Alternate attended for meetings not attended
Mr F Stehring	5	1	Alternate attended for meetings not attended
Mr L McMaster	5	3	Alternate attended for meetings not attended
Employers			
Dr T Balfour-Kaipa	5	5	Attended all
Mr H Rex	5	4	Alternate attended for meetings not attended
Mr T Masondo	5	1	Alternate attended for meetings not attended
Mr H C van der Merwe	5	0	Alternate attended for meetings not attended
Mr M Munroe	5	5	Attended all

5. Corporate governance

General

The Council is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Council supports the highest standards of corporate governance and the on-going development of best practices.

Council Meetings

The Council has met on five separate occasions during the financial year. The Council was scheduled to meet at least four times per annum.

Audit and Risk Committee

For the period under review, the chairperson of the audit committee was Ms T Sihlaba (non-executive director), who is an independent audit committee member. The committee met five times during the financial year to review matters to fulfil its role. Mr Rob Theunissen also joined the committee from October 2012 as an independent member. Mr Z Fihlani's term as an independent member ended on December 31 2012.

Internal Audit

The MHSC has outsourced its internal audit function to Deloitte, who succeeded Seema, who were the MHSC's previous internal auditors. This is in compliance with the Public Finance Management Act.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE MINE HEALTH AND SAFETY COUNCIL

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Mine Health and Safety Council (MHSC) set out on pages 53 to 105, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), 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.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the MHSC as at 31 March 2013, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the PFMA.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Material impairments

8. As disclosed in note 8 to the financial statements, material losses to the amount of R1,7 million were incurred as a result of a write-off of irrecoverable trade debtors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

9. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on strategic objectives as set out on pages 27 to 37 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (ie well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (ie whether it is valid, accurate and complete).

12. The material findings are as follows:

Usefulness of information

Measurability

Performance measure not well defined

13. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 40% of the indicators were not well defined, in that clear unambiguous data definitions were not available to allow for data to be collected consistently.

Reliability of information

14. The National Treasury *Framework for managing programme performance information (FMPPI)* requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.

15. The information presented with respect to the objectives mentioned below was not reliable when compared to the source information and evidence provided.

- Promote the improvement of the Health and Safety Culture in the Mining Industry
- Strengthen Tripartite partnerships through communication and promotion of the MHSC programmes
- Implement Summit Agreements

Compliance with laws and regulations

16. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Expenditure management

17. The accounting authority did not take reasonable steps to prevent fruitless and wasteful expenditure and irregular expenditure, as required by section 51(1) (b) (ii) of the PFMA.

Procurement and contract management

18. Invitations for competitive bidding were not always advertised for a minimum of 21 days as required by Treasury Regulations 16A6.3(c).

19. Quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by Treasury Regulations 16A9.1 (d) and the Preferential Procurement Regulations.

20. Contract was awarded to a bidder whose bids documents were received after the closing date contrary to the requirements of Treasury Regulations 16A.3.2.

Internal Audit

21. Internal audit unit under the supervision of the audit committee was not fully functional during the financial year to identify internal control deficiencies and recommend corrective actions effectively for financial, performance management reporting and compliance with laws and regulations as required by the Treasury Regulations 27.2.2 and 3.

Internal control

22. I considered internal control relevant to my audit of the financial statements, report of strategic objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the report of strategic objectives and the findings on compliance with laws and regulations included in this report.

Financial and performance management

23. Irregular expenditure could have been prevented had compliance with laws and regulations been properly monitored and reviewed.

Governance

24. Non-compliances with laws and regulations could have been prevented had oversight responsibility by the audit committee, over internal audit function been exercised in a timely manner. At year end measures had been put in place to address the internal control deficiency.

Auditor-General

Pretoria

31 July 2013

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Assets			
Current Assets			
Consumables	6	97	153
Receivables from exchange transactions	7	1 778	2 217
Receivables from non-exchange transactions	8	2 365	1 474
Cash and cash equivalents	9	170 823	144 259
		175 063	**148 103**
Non-Current Assets			
Property, plant and equipment	3	8 859	10 589
Intangible assets	4	743	134
		9 602	**10 723**
Total Assets		**184 665**	**158 826**
Liabilities			
Current Liabilities			
Finance lease obligation	10	20	70
Payables from exchange transactions	12	10 935	13 259
		10 955	**13 329**
Non-Current Liabilities			
Administrative fines	11	5 317	3 892
Unallocated deposits		49	49
Finance lease obligation	10	16	10
Retirement benefit obligation	5	1 528	1 195
		6 910	**5 146 **
Total Liabilities		**17 865**	**18 475**
Assets		184 665	158 826
Liabilities		(17 865)	(18 475)
Net Assets		**166 800**	**140 351**
Net Assets			
Accumulated surplus		**166 800**	**140 351**

Statement of Financial Performance for the year ended 31 March 2013

Income	Notes	2013	2012
		R'000	**R'000**
		73 046	**69 275**
Revenue	13	64 952	60 583
Other income	14	278	1 166
Investment income	19	7 816	7 526
Operating expenses		**46 597**	**48 500**
Research expenditure	16	12 982	22 261
Administration expenses	15	15 614	12 134
Staff costs	17	14 464	12 148
Depreciation and amortisation	3&4	3 520	1 945
Finance costs	18	17	12
Surplus (deficit) for the period		**26 449**	**20 775**

Statement of Changes in Net Assets for the year ended 31 March 2013

	Accumulated Surplus	Total net Assets
	R'000	**R'000**
Balance at 01 April 2011	**119 576**	**119 576**
Changes in net assets		
Surplus for the year	20 775	20 775
Total changes	**20 775**	**20 775**
Balance at 01 April 2012	**140 351**	**140 351**
Changes in net assets		
Surplus for the year	26 449	26 449
Total changes	**26 449**	**26 449**
Balance at 31 March 2013	**166 800**	**166 800**

Cash Flow Statement for the year ended 31 March 2013

	Notes	2013 R'000	2012 R'000
Cash flows from operating activities			
Receipts			
Receipts from mines		58 338	59 409
Transfer from Department of Mineral Resources	21	4 531	5 288
Interest income	19	7 816	7 526
Other cash item	21	1 958	715
		72 643	**72 938**
Payments			
Payment to suppliers and employees		(43 627)	(36 938)
Net cash flows from operating activities	20	**29 016**	**36 000**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 392)	(8 553)
Proceeds from insurance claim	3	24	2
Purchase of intangible assets	4	(1 039)	(67)
Net cash flows from investing activities		**(2 407)**	**(8 618)**
Cash flows from financing activities			
Finance lease payments		(45)	(45)
Net cash flows from financing activities		**(45)**	**(45)**
Net increase/(decrease) in cash and cash equivalents		**26 564**	**27 337**
Cash and cash equivalents at the beginning of the year		144 259	116 922
Cash and cash equivalents at the end of the year	9	**170 823**	**144 259**

Accounting

Policies

11. Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared, in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand. A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the supply of goods or services, or for administrative purposes, and are expected to be used during more than one period. The cost of an item of property, plant and equipment is recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the MHSC.
- The cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. 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 the conditions 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 cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is included in the cost of property, plant and equipment, where the MHSC is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Office furniture	10-15 years
Motor vehicles	5 years
Computer equipment	5 – 10 years
Computer software	5-10 years
Leasehold improvements	2-8 years
Research equipment	Remainder of lease period
Information Technology Communication	5-10 years
Leased assets	The shorter of the lease period or the useful life of the asset

The residual value, and 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.

Reviewing the useful life of an asset on an annual basis does not require the MHSC to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or 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.

1.2 Intangible assets

An asset is identified as an intangible asset when it:

- Is capable of being separated or divided from the MHSC and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability.
- Arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the MHSC or from other rights and obligations.

An intangible asset is recognised when it:

- Is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the MHSC the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development or development phase on internal project is recognised when:

- It is technically feasible to complete the asset so that it will be available for use.
- There is an intention to complete and use it.
- There is an ability to use it.
- It will generate probable future economic benefits or service potential.
- There are technical, financial and other resources to complete the development and to use or sell the assets.
- The expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life, when based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life (carried at cost less accumulated impairment).

The amortisation period, residual value, if any and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Licences and software	2 - 8 years

Intangible assets are derecognised:

- On disposal, or
- When no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured, at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (through the use of an allowance account) for impairment or uncollectability.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an MHSC's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the MHSC shall estimate cash flows, considering all contractual terms of the financial instrument (for example, prepayment, call and similar options), but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate , transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows, or the expected life of a financial instrument (or group of financial instruments), the MHSC shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- Cash.
- Residual interest of another entity.
- A contractual right to:
  - Receive cash or another financial asset from another entity.
  - Exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the MHSC.
  - A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs, because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity.
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the MHSC.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an MHSC in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risks is the risk that the fair value or future cash flows of a financial instrument will fluctuate, because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when it is contractually due.

A residual interest is any contract that manifests an interest in the assets of an MHSC after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- A formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an MHSC's net assets, either before the contribution occurs or at the time of the contribution.
- A formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an MHSC.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the MHSC had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- The MHSC designates at fair value at initial recognition.
- Are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- Derivatives.
- Combined instruments that are designated at fair value.
- Instruments held for trading.

A financial instrument is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term.
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking.
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The MHSC has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position:

Financial Asset	R'000
Trade receivables measured at amortised cost	2 365
Other receivables measured at cost	1 778
Cash at bank measured at cost	170 823

Declining interest rates exposes the MHSC to the risk of the declining cash flow streams of the cash at banks. The MHSC's exposure to currency risk is mitigated by having its investments in the money market and also being invested with the three top banks and by using the Treasury services of CEF (SOC).

The MHSC has the following types of financial liabilities (classes and categories) as reflected on the face of the statement of financial position:

Financial liabilities	R'000
Trade and other payables measured at amortised cost	10 935
Unallocated deposits measured at cost	49
Administration funds measured at cost	5 317

The MHSC has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position:

Financial liability	R'000
Accumulated surplus measured at cost	166 800

Initial recognition

The MHSC recognises a financial asset or a financial liability, in its statement of financial position, when the MHSC becomes a party to the contractual provisions of the instrument. The MHSC recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The MHSC measures a financial asset and financial liability, initially at its fair value plus transaction costs that are directly attributable to the acquisition, or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The MHSC measures all financial assets and financial liabilities after initial recognition using the following:

- Financial instruments at amortised cost.

Note: *All financial assets measured at amortised cost, or cost, are subject to an impairment review.*

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the MHSC establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date, in an arm's length exchange, motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If there is a valuation technique commonly used by market participants to price the instrument, and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the MHSC uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on MHSC-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Periodically, an MHSC calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (ie. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (eg a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The MHSC does not reclassify a financial instrument while it is issued or held unless it is:

- Combined instrument that is required to be measured at fair value.
- An investment in a residual interest that meets the requirements for reclassification.

Where the MHSC cannot reliably measure the fair value of an embedded derivative, that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment, in a residual interest measured at fair value, the MHSC reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost. If a reliable measure becomes available for an investment in a residual interest, for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the MHSC reclassifies the instrument from cost to fair value.

Gains and losses

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectability of financial assets

The MHSC assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

- If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.
- If in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been, had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

- If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value, because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The MHSC derecognises financial assets using trade date accounting.

The MHSC derecognises a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire, are settled or waived.
- The MHSC transfers to another party substantially all of the risks and rewards of ownership of the financial asset.
- The MHSC, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the MHSC :
    - Derecognise the asset.
    - Recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the MHSC transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it is recognised either as a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the MHSC adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value.

If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the MHSC obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the MHSC recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit. If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer.

For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the MHSC has retained substantially all the risks and rewards of ownership of the transferred asset, the MHSC continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the MHSC recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

The MHSC removes financial liabilities

Liability (or a part of a financial liability) from its statement of financial position when it is extinguished - ie when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it, is accounted for as having extinguished the original financial liability, and having recognised a new financial liability.

Accounting Policies

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgotten, or assumed by another MHSC by way of a non-exchange transaction, are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position, when the MHSC currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the MHSC does not offset the transferred asset and the associated liability.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the MHSC assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position as amounts equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included 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 lease.

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 of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.5 Consumables

Consumables are initially measured at cost except where consumables are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently consumables are measured at the lower of cost and net realisable value.

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the MHSC incurs to acquire the asset on the reporting date.

The cost of consumables comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the consumables to their present location and condition.

The cost of consumables of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of consumables is assigned using the weighted average cost formula. The same cost formula is used for all consumables having a similar nature and use to the MHSC.

1.6 Employee benefits

Employee benefits are all forms of consideration given by an MHSC in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity unless either:

- The proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations.
- The proceeds are returned to the reporting MHSC to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- A MHSC's decision to terminate an employee's employment before the normal retirement date.
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees rendered the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits, as well as to provide benefits that are not in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an MHSC's actions where an established pattern of past practice, published policies or a sufficiently specific current statement, the MHSC has indicated to other parties that it will accept certain responsibilities and as a result, the MHSC has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- Wages, salaries and social security contributions.
- Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees rendered the related employee service.

- Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.
- Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the MHSC during a reporting period, the MHSC recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the MHSC recognises the excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- And as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense, as the employees render services that increase their entitlement, or in the case of non-accumulating absences, when the absence occurs. The MHSC measures the expected cost of accumulating compensated absences, as the additional amount that the MHSC expects to pay, as a result of the unused entitlement that has accumulated at the reporting date.

The MHSC recognise the expected cost of bonus, incentive and performance related payments when the MHSC has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the MHSC has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an MHSC provides post-employment benefits for one or more employees.

Post-employment benefits

The MHSC uses the cost to company remuneration policy, under this policy, the MHSC expects its employees to make their own provisions for post-retirement benefits. Only four employees fall under the old arrangement of providing a post-employment medical contributions and this is disclosed under note 5 to the financial statements.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment medical benefit obligations are measured on a basis that reflects:

- Estimated future salary increases.
- The benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date.
- Estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if either:
  - Those changes were enacted before the reporting date.
  - Past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes, in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.7 Provisions and contingencies

Provisions are recognised when:

- The MHSC has a present obligation as a result of a past event.
- It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.
- A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is certain that reimbursement will be received if the MHSC settles the obligation. The reimbursement is treated as a separate asset.

The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits, or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an MHSC has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33 under contingencies.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period, when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the MHSC receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest, royalties and dividends

Revenue arising from the use by others of MHSC assets yielding interest and royalties is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the MHSC.
- The amount of the revenue can be measured reliably.

Interest is recognised, in the statement of financial performance using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

1.9 Revenue from non-exchange transactions

Revenue comprises of gross inflows of economic benefits or service potential received, and receivable by an MHSC, which represents an increase in net assets, other than increases relating to contributions from owners. Conditions on transferred assets are stipulations that specify that the future economic benefits, or service potential embodied in the asset, is required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Control of an asset arising when the MHSC can use or otherwise benefit from the asset, in pursuit of its objectives, and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by the MHSC, as determined by the Mine Health and Safety Act, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, MHSC either receives value from another MHSC without directly giving approximately equal value in exchange, or gives value to another MHSC without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset, is recognised as revenue, except to the extent that a liability is recognised in respect of the same inflow.

As the MHSC satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the MHSC.

When, as a result of a non-exchange transaction, the MHSC recognises an asset, it also recognises the revenue equivalent to the amount of the asset measured at its fair value from the date of acquisition, unless it is required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.10 Unauthorised expenditure

Unauthorised expenditure means:

- Expenditure not in accordance with the purpose of the approved budget or the delegation of authority.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and could have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised, as an expense in the statement of financial performance, in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

- Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with, a requirement of any applicable legislation, including this Act.
- The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act.
- Any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no 4 of 2008/2009, which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before the year end, or before finalisation of the financial statements, is recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of irregularity unless it is impractical to determine in which case reasons are provided in the note. Irregular expenditure is removed from the note when it either condoned the relevant authority or transferred to receivables for recovery.

Irregular expenditure that was incurred and identified during the current financial year and was condoned was being awaited at year end, must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury, or the relevant authority, must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the related expenditure must remain against the relevant expenditure item, be disclosed in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Administrative fines

Revenue received from administrative fines is recognised as revenue, to the extent that the MHSC has complied with any of the criteria, conditions or obligations embodied in the Mine Health and Safety Act. A liability is recognised if the criteria, conditions or obligations have not been met.

1.14 Budget information

General purpose financial reporting by MHSC provided information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period, have been included in note 29 to this annual financial statements.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure, when the annual financial statements and the budget, are on the same basis of accounting as determined by the National Treasury.

1.15 Related parties

The MHSC operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the MHSC, including those charged with the governance of the MHSC in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the MHSC.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.16 Events after the reporting period

Events after the reporting date are those adjusting events, that may be favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

1.17 Offsetting of financial transactions

The MHSC separately present each material class of similar items in the statements of financial performance and financial position- except for immaterial transactions like gains and losses on derecognition of assets.

1.18 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

- Provision for doubtful debts.
- Post- retirement medical benefits.

Trade and other receivables/Loans receivable

The MHSC assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the MHSC makes judgments as to whether there is observable data, indicating a measurable decrease in the estimated future cash flows from financial assets.

Fair value estimation

The fair value of financial instruments traded in an active market (for example, over-the counter derivatives) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the MHSC is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The MHSC uses a variety of methods and makes assumptions that are based on the market conditions existing at the end of each reporting period.

Quoted market price used for financial assets or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values of trade receivables and payables is net from the discounting allowances.

Impairment testing

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on their higher values on use less costs to sell. These calculations require the use of estimates and assumptions.

The MHSC reviews and tests the carrying values of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepares of expected future cash flows for each group of assets.

Useful lives of property, plant and equipment and intangible assets

The MHSC's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period, over which the assets can and will be used.

Effective interest rate

The MHSC used government bond rate to discount future cash flows in the event of being material.

Allowance for impairment

When there is objective evidence that it is impaired, an impairment loss or gain is recognised in surplus and deficit on receivables and account payables The impairment is measured as the difference between the receivables and payables carrying amount and the present value of estimated future cash flows, discounted at the effective rate, computed at initial recognition.

MHSC

Notes to the Annual Financial Statements

for the year ended 31 March 2013

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the MHSC has adopted the following standards and interpretations, that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: *Years beginning on or after*	Expected impact:
GRAP 23: Revenue from Non-exchange Transactions	01 April 2012	Impacting on MHSC
GRAP 24: Presentation of Budget Information in the financial statements	01 April 2012	Minimal impact
GRAP 103: Heritage Assets	01 April 2012	No impact
GRAP 21: Impairment of non-cash-generating assets	01 April 2012	No impact
GRAP 26: Impairment of cash-generating assets	01 April 2012	No impact
GRAP 104: Financial Instruments	01 April 2012	Minimal impact

2.2 Standards and Interpretations early adopted

The MHSC did not choose for early adoption of standards and interpretations.

2.3 Standards and interpretations issued, but not yet effective

The MHSC has not applied the following standards and interpretations, which have been published and are mandatory for the MHSC's accounting periods beginning on, or after 01 April 2013, or later periods:

Standard/ Interpretation:	Effective date: *Years beginning on or after*	Expected impact:
GRAP 18: Segment Reporting	01 April 2013	No impact
GRAP 25: Employee benefits	01 April 2013	Minimal impact
GRAP 105: Transfers of functions between entities under common control	01 April 2014	Minimal impact
GRAP 106: Transfers of functions between entities not	01 April 2014	No impact
GRAP 107: Mergers	01 April 2014	No impact
GRAP 20: Related parties	01 April 2013	Impacting on MHSC
IGRAP 11: Consolidation - Special purpose entities	01 April 2014	No impact
IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	01 April 2014	No impact
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	No impact
GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	No impact
GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	No impact
GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Impacting on MHSC
GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Impacting on MHSC
GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	No impact
GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Impacting on MHSC
GRAP 12 (as revised 2012): Inventories	01 April 2013	No impact
GRAP 13 (as revised 2012): Leases	01 April 2013	Impacting on MHSC
GRAP 16 (as revised 2012): Investment Property	01 April 2013	No impact
GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Impacting on MHSC
GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	No impact
GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	Impacting on MHSC
IGRAP16: Intangible assets website costs	01 April 2013	Impacting on MHSC

2.4 Standards and interpretations not yet effective or relevant

The MHSC has not noted standards and interpretations that have been published and are mandatory for the MHSC's accounting periods beginning on or after 01 April 2013 or later periods, but are not relevant to its operations.

3. Property, plant and equipment

	2013			2012		
	Cost/ Evaluation R'000	**Accumulated Depreciation and Accumulated Impairment** R'000	**Carrying Value** R'000	**Cost/ Evaluation** R'000	**Accumulated Depreciation and Accumulated Impairment** R'000	**Carrying Value** R'000
Office furniture	820	(355)	465	820	(300)	520
Motor vehicles	95	(38)	57	95	(19)	76
Office equipment	858	(376)	482	652	(106)	546
Computer equipment	1 854	(512)	1 342	861	(439)	422
Leasehold improvements	1 440	(1012)	428	1 384	(923)	461
Research equipment	9 139	(3 210)	5 929	9 139	(911)	8 228
ICT	697	(577)	120	697	(424)	273
Leased assets	45	(9)	36	218	(155)	63
Total	**14 948**	**(6 089)**	**8 859**	**13 866**	**(3 277)**	**10 589**

Reconciliation of property, plant and equipment

	2013						
	Opening balance R'000	**Additions** R'000	**Disposals** R'000	**Transfers** R'000	**Other changes/ Movements** R'000	**Depreciation** R'000	**Total** R'000
Office furniture	520	0	0	0	0	(55)	465
Motor vehicles	76	0	0	0	0	(19)	57
Office equipment	546	56	0	0	35	(155)	482
Computer equipment	422	1 236	(23)	0	0	(293)	1 342
Leasehold improvements	461	56	0	0	0	(89)	428
Research equipment	8 228	0	0	0	0	(2 299)	5 929
ICT	273	0	0	0	0	(153)	120
Leased assets	63	44	(13)	0	(35)	(23)	36
Total	**10 589**	**1 392**	**(36)**	**0**	**0**	**(3 086)**	**8 859**

The loss incurred on scrapping is due to technological obsolescence and theft. Included in the amount of R36 000 scrapped is R23 822 for computers that were stolen and the insurance paid R23 622.

Reconciliation of property, plant and equipment

	2012						
	Opening balance R'000	**Additions** R'000	**Disposals** R'000	**Transfers** R'000	**Other changes/ Movements** R'000	**Depreciation** R'000	**Total** R'000
Office furniture	212	383	(40)	0	14	(49)	520
Motor vehicles	95	0	0	0	0	(19)	76
Office equipment	64	527	0	0	0	(45)	546
Computer equipment	376	251	(37)	5	15	(188)	422
Leasehold improvements	1 453	0	(18)	0	0	(974)	461
Research equipment	1 169	7 368	0	0	0	(309)	8 228
ICT	429	0	(2)	(5)	12	(161)	273
Leased assets	106	24	0	0	0	(67)	63
Total	**3 904**	**8 553**	**(97)**	**0**	**41**	**(1 812)**	**10 589**

Assets subject to finance lease *(net carrying amount)*

	2013	**2012**
	R'000	R'000
Lease improvements	428	461
Leased assets	36	63
Total	**464**	**524**

4. Intangible assets

	2013			2012		
	Cost/ Evaluation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Evaluation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
	R'000	R'000	R'000	R'000	R'000	R'000
Intangible assets	1 107	(364)	743	416	(282)	134

Reconciliation of intangible assets – 2013

	Opening balance	Additions	Disposals	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Intangible assets	134	1 039	0	(430)	743

Reconciliation of intangible assets – 2012

	Opening balance	Additions	Disposals	Amortisation	Total
	R'000	R'000	R'000	R'000	R'000
Intangible assets	231	67	(32)	(132)	134

5. Employee benefit obligations

The MHSC has a commitment to cover medical aid costs for all employees appointed prior to 1 July 2003 in the event of them retiring while in the service of the MHSC. This scheme is valued by a qualified actuary on an annual basis.

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

	March 31 2013	March 31 2012
	R'000	R'000
In service members	821	580
Continuation members	707	615
Total accrued service liability	**1 528**	**1 195**

The changes in the accrued service liability since the previous valuation present value of fund obligations is as follows:

2013	
Carrying value	R'000
Accrued service liability- March 31 2012	(1 195)
Current service cost	(47)
Estimated benefit paid	41
Interest cost	(103)
Net actuarial losses not recognised	(224)
Accrued service liability – March 31 2013	(1 528)

Sensitivity analysis

Changes in key financial assumptions of valuation interest rate and the medical rate is as follows:

	R'000	%
Accrued liability as already stated	(1 528)	0
Valuation rate increase by 1%	(1 351)	(12%)
Valuation rate decrease by 1%	(1 746)	14%
Medical aid increase by 1%	(1 649)	8%
Medical aid decrease by 1%	(1 428)	(7%)
Retirement at age 55	(1 558)	2%

Projected benefit obligation at March 31 2014:

2014	
Carrying value	R'000
Accrued liability at March 31 2013	(1 528)
Service cost	(108)
Interest cost	(116)
Benefits paid	78
Accrued liability at March 31 2013	(1 673)

Net expense recognised in the statement of financial performance

	2013	2012
	R'000	R'000
Current service cost	(47)	(38)
Interest cost	(103)	(94)
Actuarial (gains) losses	(224)	(100)
	(374)	**(232)**

Assumptions used at the reporting date:

Financial assumptions are the valuation interest and the rate of medical aid contribution increases and the relationship between the two.

	2013	2012
	R'000	R'000
Valuation interest rate	7.90%	8.40%
Medical aid contribution increase rate	8.10%	7.20%

Demographic assumptions are the pre-retirement mortality and the continuing member mortality as checked against members dates of births, dates of employment, marital status, ages within reasonable care and contributions paid according to Discovery medical aid rate.

For members in service it was assumed that the wife was five years younger than the husband and normal retirement was made at 60 years. Members will not change their medical aid scheme and that 100% of members will continue membership of the medical scheme and receive the subsidy.

Summary of membership data

	Males	Females	Total 2013	Total 2012
In service	1	2	3	3
Continuing	1	0	1	1
Total	**2**	**2**	**4**	**4**

In service member data

In service	Total 2013	Total 2012
Average age	47	46
Past service	13.9	12.3
Average employer subsidy each month	3 868	3 608
Expected full working years	13.1	14

6. Consumables

	2013	2012
	R'000	R'000
Opening balance	153	0
Additions	288	652
Usage	(344)	(499)
Carrying value of inventories carried at fair value less cost to sell	97	153

7. Receivables - exchange

	2013	2012
	R'000	R'000
Deposits	518	518
Sundry debtors	1 260	1 698
Prepaid expense	0	1
	1 778	2 217

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed, by reference to external credit ratings (if available), or to historical information about counterparty default rates:

8. Receivables from non-exchange transactions

Reconciliation of provision for impairment of trade and other receivables

	2013	2012
	R'000	R'000
Opening balance	(3 683)	(15 738)
Provision for impairment	(1 175)	0
Amount written off as uncollectable	1 730	12 107
Unwinding of discount	(15)	(52)
	(3 143)	**(3 683)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The MHSC does not hold any collateral as security.

	2013	2012
	R'000	R'000
Provisions	(3 143)	(3 683)
Levies	5 508	5 157
	2 365	1 474

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair value of receivables from non-exchange transactions

Receivables from non-exchange transactions are discounted at the rate that is intended to estimate the present value of receivables as at March 31 2013, the difference between the discounted amount and the carrying amount is processed in the statement of financial performance, as a fair valuation allowance.

Receivables from non-exchange transactions past due date but not impaired

The ageing of amounts past due date but not impaired is as follows:

	2013	2012
	R'000	R'000
One month past due date	13	543
Two months past due date	17	100
Three months past due date	5 478	4 514

As of 31 March 2013, receivables from non-exchange transactions were provided for and impaired. The amount of the provision is R 3,138 as from 31 March 2013 (2012: R 3 683).

	2013	2012
	R'000	R'000
The carrying amount of other receivables from non-exchange transactions are as follows:	2 976	1 474

The creation of provision for impaired receivables have been included in general expenses in surplus or deficit.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each receivable amount mentioned above. The MHSC does not hold any collateral as security.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2013	2012
	R'000	R'000
Petty Cash	2	2
Administrative fines bank account	5 301	3 892
Administrative bank account	1 531	8 801
Credit Card	(17)	(9)
Investments with top four banks	164 006	131 573
	170 823	144 259

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired, can be assessed by reference to external credit ratings (if available), or historical information about counterparty default rates:

Credit rating

	2013	2012
	R'000	R'000
AAA	0	0
AA	0	0
A	0	0
Other	170 823	144 259

10. Finance lease obligation

Minimum lease payments due

	2013	2012
	R'000	R'000
Within one year	23	71
In second to fifth year inclusive	17	16
	40	**87**
Less future finance charges	(4)	(7)
	36	**80**

Present value of minimum lease payments due

	2013	2012
	R'000	R'000
Within one year	20	70
In second to fifth year inclusive	16	10
	36	**80**
Non-current liability	16	10
Current liability	20	70
	36	**80**

It is MHSC's policy to lease certain photocopier equipment under finance leases.

The average lease term was five years for a photocopier and two years for cellular phones and the average effective borrowing rate in 2013 was 12% (2012:12%).

11. Administrative fines - Restricted funding

This represents fines that are imposed on mines as stated in section 55B of the Mine Health and Safety Act, for failing to comply with the provision contemplated in section 91 (1B) of the Mine Health and Safety Act. These funds are allocated for the promotion of health and safety in the mines. On incurring expenses that relate to that purpose, an amount is recognised in the statement of financial performance as a promotion and safety expense. It is also recognition of the equivalent amount as income from this liability.

	2013	2012
	R'000	R'000
Opening balance	3 892	2 333
Collected	1.425	1 559
Closing balance	**5 317**	**3 892**

12. Trade and other payables

Fair value of trade and other payables

	2013	2012
	R'000	R'000
Trade payables	9 287	12 391
Fair valuation of payables	(74)	(365)
Payroll payable	1 722	1 233
	10 935	**13 259**

Accounts payable are discounted to their present values at the financial year end, and the differences between the carrying amount and the discounted value, is recognised as a fair valuation allowance.

	2013	2012
	R'000	R'000
Trade Payables	10 935	13 259

13. Revenue from non-exchange transactions

	2013	**2012**
	R'000	R'000
Revenue from non-exchange transactions	64 952	60 583

The amount included in revenue arising from non-exchange transactions is as follows:

	2013	**2012**
	R'000	R'000
Levies from the mines	60 421	55 295
Transfer from DMR	4 531	5 288

14. Other income-exchange transactions

	2013	**2012**
	R'000	R'000
Fair valuation - Finances	(291)	379
Interest on debtors	5	63
Other income	405	438
Royalties income	159	286
	278	**1 166**

Included in other income is revenue arising from exchange of R158 822.00 in relation to royalty income earned from the sale of Stone dust bags, developed through SIMRAC but managed by the Council for Scientific and Industrial Research (CSIR).

15. Operating expenses excluding employee costs and depreciation

	2013	2012
	R'000	R'000
Advertising	396	528
Auditors remuneration	2 835	2 800
Impairment of receivables	1 178	0
Consulting and professional fees	853	1 864
Insurance	175	129
Lease rentals on operating lease	2 097	2 171
Loss on scrapping of assets	13	127
Motor vehicle expenses	0	9
Postage and courier	36	118
Printing and stationery	2 221	1 595
Strategic objectives	2 088	0
Telephone and fax	423	383
Travel – local	355	482
Legal fees	84	306
Management fees	225	203
Other expenses	112	(822)
Communication expenses	0	15
Governance support	1 545	914
Exempt mines	294	127
Operating rental expenses	623	615
Repairs and maintenance	61	570
Total	**15 614**	**12 134**

16. Research expenditure

	2013	2012
	R'000	R'000
Rock falls	1 622	6 042
Rock bursts	0	2 751
Machinery and transport	741	942
Explosions	0	334
Airborne pollutants	1 182	3 428
Occupational diseases	2 456	1 378
Special projects	6 981	7 386
Total	**12 982**	**22 261**

17. Employee related costs

	2013	2012
	R'000	R'000
Basic	11 141	10 156
Bonus	409	455
Medical aid – company contributions	594	291
UIF	45	28
WCA	217	136
SDL	118	77
Leave pay provision charge	346	121
Staff welfare	148	138
Recruitment and placements	1 328	552
Staff training	118	158
Car allowance	0	36
Total	**14 464**	**12 148**

18. Finance costs

	2013	2012
	R'000	R'000
Finance leases	17	12

Capitalisation rates used during the period were 12% on specific borrowings.

19. Revenue from Exchange transactions

	2013	2012
	R'000	R'000
Investment interest	7 779	7 493
Council administration	37	33
Total investment income	**7 816**	**7 526**

The amount included in investment income is arising from exchange transactions.

20. Cash generated from operations

	2013	2012
	R'000	R'000
Surplus	**26 449**	**20 775**
Adjustments for:		
Depreciation and amortization	3 518	1 945
Loss on disposal of assets and liabilities	13	127
Finance costs – Finance leases	0	12
Movements in retirement benefit assets and liabilities	333	0
Movements in provisions	(156)	76
Changes in working capital:		
Consumables	55	(153)
Receivables	440	0
Other receivables from non-exchange transactions	(1 502)	2 270
Payables from exchange transactions	(2 170)	9 392
Decrease in unallocated deposits	0	(3)
Admin fines restricted funding	2 036	1 559
Total	**29 016**	**36 000**

21. Other cash items

	2013	2012
	R'000	R'000
Cash receipts from DMR transfer	4 531	5 288
Cash receipts from other debtors	1 958	715
Total	**6 489**	**6 003**

22. Commitments

22.1 Operating leases

As at reporting date, the MHSC had outstanding commitments under non-cancellable operating leases which are maturing in September 2017 and which fall due as follows:

	2013	2012
	R'000	R'000
1 Year	2 695	1 164
2 - 5 Years	6 602	0
Total	**9 297**	**1 164**

22.2 Research projects

	2013	2012
	R'000	R'000
Authorised and contracted	15 366	9 247
Authorised but not contracted	76 030	92 736
Total	**91 396**	**101 983**

Research commitments represent contingent liability, where it is uncertain whether present obligation exists, because an outflow of resources is not probable and the outflows cannot be reliably measured. Because they are dependent on future uncertain contractual obligations.

23. Executive members' emoluments

	2013		
	Emoluments	Bonus plus group life cover	Total
	R'000	R'000	R'000
Mr TT Dube	123	2	125
Mr DS Molapo	1 075	92	1 167
Mr N Singh	1 064	96	1 160
Total	**2 262**	**190**	**2 452**

	2012		
	Emoluments	Group life cover	Total
	R'000	R'000	R'000
Mr TE Gazi	1 364	26	1 390
Mr DS Molapo	1 006	19	1 025
Mr N Singh	994	31	1 025
Total	**3 364**	**76**	**3 440**

24. Risk management

Liquidity risk

The MHSC's risk to liquidity is a result of the funds available to cover future commitments. The MHSC manages liquidity risk through an on-going review of future commitments and credit facilities and by retaining a 20% reserve on collected levies.

Interest rate risk

The MHSC has invested its funds in the money market through the services of the Treasury management of the Central Energy Fund (CEF). These funds are prone to interest rate risks and CEF manages the risk through investment of the funds, at fixed rates for a period of 180 days, and shorter with reputable commercial banks.

Credit risk

Credit risk consists mainly of debtors in relation to levies raised with the mines. The extent of the risk is disclosed in note 8. The MHSC does not hold any collateral security in relation to these receivables.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were the receivables from mines based on the levies raise as in note 8.

Sensitivity risk

The MHSC's surplus funds are not highly sensitive to interest rate fluctuations due to the fact that the investments periods are short. The average movement in interest rates does not have material impact on the invested funds.

25. Going concern

We draw attention to the fact that at 31 March 2013, the MHSC had accumulated surplus of R166,800 000 and that the MHSC's total assets exceed its liabilities by R166,800 000.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

26. Events after the reporting date

There are no reportable events after the reporting date but before the signing of this financials.

27. Fruitless and wasteful expenditure

	2013	**2012**
	R'000	R'000
Medical aid contributions in favour of a resigned employee	39	0
Advertising a tender due to an error that was included in the first advertisement	20	0
Total	**59**	**0**

During the financial years of 2009 and 2010, the MHSC administrative staff continued paying medical aid contributions on behalf of a resigned employee. This amount of R38 691.00 was initially reflected in the books as a receivable but it later proved difficult to collect even after the use of MHSC lawyers. The investigation concluded that due to the time that had elapsed, it will be difficult to identify an employee who can be held accountable. Due to an error discovered, after an advertisement had been placed,made this resulted in additional advertising costs at the cost of R20 478.96. However, systems are now in place to prevent any similar occurrences.

28. Irregular expenditure

	2013	2012
	R'000	R'000
Opening balance	6 930	197
Add: Add Irregular Expenditure – current year	2 651	6 733
	9 581	**6 930**

Analysis of expenditure awaiting condoning per age classification

	2013	2012
	R'000	R'000
Current year	2 651	6 733
Prior years	6 930	197
	9 581	**6 930**

Details of irregular expenditure - current year

The nature of the irregular expenditure incurred did not deprive the Council of value for money, but happened because the MHSC failed to comply with a National Treasury regulation and because of the non-compliance with the MHSC's delegation of authority.

	R'000
Bids were not advertised in the government tender bulletin, but only in newspapers, there was an incorrect application of Treasury determination in preference point system calculations, bids were advertised for a shorter period than 21 days, bid specifications were not always drafted by the Bid Specification Committee and list of prospective bidders was not always managed, as required by practice note 8 of 2007/08	3 239
The accounting officer did not comply with MHSC's delegated authority limit of R1 million in procuring assets	1 600
Awarded work to two suppliers whose tax matters were not in order	338
Lease payments on the five year financial lease instead of three years	60

Details of irregular expenditure condoned

No irregular expenditure has been condoned at the reporting date.

Details of irregular expenditure recoverable (not condoned)

The Accounting Authority noted the effect which the non-compliance with the Treasury guidelines has caused, and the Accounting Officer has tightened the compliance culture of the MHSC.

The nature of the irregular expenditure incurred does not lead to a liability being attributable to a specific person and as such no debt can be created, as the amounts are not recoverable in law, instead the MHSC has refined its procurement processes and allocated the responsibilities of chairing BID committees to senior managers, with clear delegation of authority in place.

29. Performance against budget

	2013	2013
	R'000	R'000
	Actual	**Budget**
Income		
Revenue from non-exchange	64 952	64 802
Other income	278	0
Interest income	7 816	6 700
Total revenue	**73 046**	**71 502**
Expenditure		
Personnel	14 464	23 991
Depreciation and amortisation	3 520	3 707
Finance costs	17	24
Debt impairment	1 178	0
Repairs and maintenance	61	230
Loss on scrapping	13	0
Operating expenses	27 344	31 333
Total expenditure	**46 597**	**59 285**
Surplus for the year	**26 449**	**12 217**

29.1 Operating expenditure

	2013	2013
	R'000	R'000
	Actual	**Budget**
Advertising	396	180
Auditors fees	2 835	3 200
Consulting	853	663
Insurance	175	216
Leased property	2 097	2 271
Postage and courier	36	44
Printing and stationery	2 221	1 920
Strategic objectives	2 088	9 060
Telephone and fax	423	554
Travel	355	339
Legal fees	225	185
Governance support	1 545	1 553
Exempt mines	294	232
Facilities support	735	891
Research expenditure	12 982	9 875
Total operating expenses	**27 344**	**31 333**

Notes: Total expenditure is under-spent by R12.688 million due to personnel costs being lower than the budget because the number of actual staff was an average of 33, whilst the approved budget was based on 50 employees from April 2012. There was an under-spending on strategic objectives whilst research was overspent. The overspending on research is as a result of roll over contracts from the previous financial years.

30. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005, states that a supply chain management policy must provide for the procurement of goods and services, by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting authority, and includes a note to the annual financial statements.

As stated under the note 30 on irregular expenditure, the MHSC failed to fully comply with the requirements of the supply chain management regulations.

31. Changes in estimate

As at March 2011, the MHSC capitalised a cost of improvements to leasehold buildings to the value of R1 383 936.00. This was depreciated over the shorter and remaining time of the lease, and as from March 2012, the carrying amount was R461 000.00. In October 2012, the Accounting Authority approved the extension of the lease for another five years ending September 2017. As a result the carrying amount of R461 000 will then be depreciated over the duration of the lease.

	Cost	Accumulated Depreciation	Carrying Amount	Annual depreciation charge effect
	R'000	R'000	R'000	R'000
Before extension of lease	1 384	923	461	923
After review	1 384	1 006	377	89

32. Related party transactions

MHSC Member	Entity	Transaction arising from levies raised		Balance owing on levies raised	
		2013	2012	2013	2012
		R'000	R'000	R'000	R'000
Mr H Rex	Anglo Ashanti Ltd	3 575	4 545	0	568
Mr T Masondo	Anglo Coal	1 295	1 260	0	0
Mr D Msiza	DMR	183	183	183	183
Mr M Munroe	Lonmin	2 892	2 582	0	0

Except for the DMR, where the amount relates to the amount owing to MHSC, by the Office of the Chief Inspector of Mines, the other transactions relate to levies raised from the mines.

The Department of Mineral Resources is the executive authority of the Mine Health and Safety Council and has contributed towards administration expenses of the Council as follows:

	2013	2012
	R'000	R'000
Transfers from DMR	4 531	5 288

33. Non-executive emoluments

The board and its other committees - except for the independent audit committee members - are not paid for attendance at meetings.

Payment to audit committee members

	2013	2012
	R'000	R'000
Ms L Fosu	0	45
Mr Z Fihlani	17	77
Ms T Sihlaba	120	48

34. Contingencies

As stated in the Public Finance Management Act, entities are supposed to get permission to roll-over surplus into the next financial year from National Treasury, as at May 31 2013 the MHSC was still waiting for the response to its application to retain and roll over the surplus of R26 449 000.00 and its accumulated reserves of R166 800 000.00.

The administrative fines become due and receivable when the mine(s) that have been fined, have exhausted all the remedies available to them, as to whether they accept or contest the fine(s). Before this process is concluded these fines are not recorded as receivable. This process mean there are possible contingent assets that are subject to the conclusion of these processes.

The Mine Health & Safety Council

Mr D Msiza
Chairman

Dr T Balfour-Kaipa

Mr T Dube

Mr E Gcilitshana

Mr P Hlabizulu

Ms N Masekoa

Mr T Masondo

Mr X Mbonambi

Mr L McMaster

Dr L Ndelu

Mr M Nhlapo

Mr M Munroe

Mr H Rex

Mr F Stehring's photo was not available when going to print

The MHSC Staff

Front Row (from left): Makhosazana Kunene, Dimakatso Ndumndum, Mohlago Masekela, Vimla Pentasaib, Fhulufhuwani Makhado, Kumesh Naidoo.

Middle Row (from left): Khaya Mphanjukelwa, Itumeleng Rafapa, Siboniso Mfeka, Johannes Lithebe, Naomi Nkoana, Johannes Nkambule, Mahlatse Mononela, Natasha Mutizira, Paulo Castro, Simon Mmachaka.

Back Row (from left): Florence Cairncross, Martin Kanosvamhira, Thekiso Ntebele, Solly Mthembu, Belina Ngomano, Vhonani Tshifularo, Navin Singh, Thakane Noosi, Lerato Nyathi, Yvette Setlhapelo, John Ntsane, Judy Matthews.

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