

Briefing to the Select Committee on Mineral Resources

2013/14 Annual Report

Date: Tuesday, 24 February 2015

Time:

Venue:



mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA

STRUCTURE OF THE PRESENTATION

1. Mandate
2. Vision, mission and values
3. Structure of the Department
4. Annual Financial Statements
5. Programme performance
 - Programme 1: Corporate Services
 - Programme 1.1: Financial administration
 - Programme 2: Mine Health and Safety
 - Programme 3: Mineral Regulation
 - Programme 4: Mineral Policy and Promotion



MANDATE

Constitutional mandate

The department's mandate is found in section 24 of the Constitution of South Africa (Act No. 108 of 1996).

Legislative mandate

Mineral and Petroleum Resources Development Act (Act No. 28 of 2002) and the Mine Health and Safety Act (Act No. 29 of 1996) provide the regulatory framework for the promotion and regulation of the industry, as well as the equitable access to and the sustainable development of the nation's mineral resources and related matters.



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NOISIA

Vision 2019

A globally competitive, sustainable and meaningfully transformed mining and minerals sector.

Vision 2030

A leader in the transformation of South Africa through economic growth and sustainable development by 2030



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MISSION AND VALUES

Mission

Promote and regulate the minerals and mining sector for transformation, growth and development, and ensure that all South Africans derive sustainable benefit from the country's mineral wealth.

Values

1. Batho Pele (people first)
2. Ethics
3. Honesty
4. Integrity
5. Accountability
6. Professionalism
7. Ubuntu



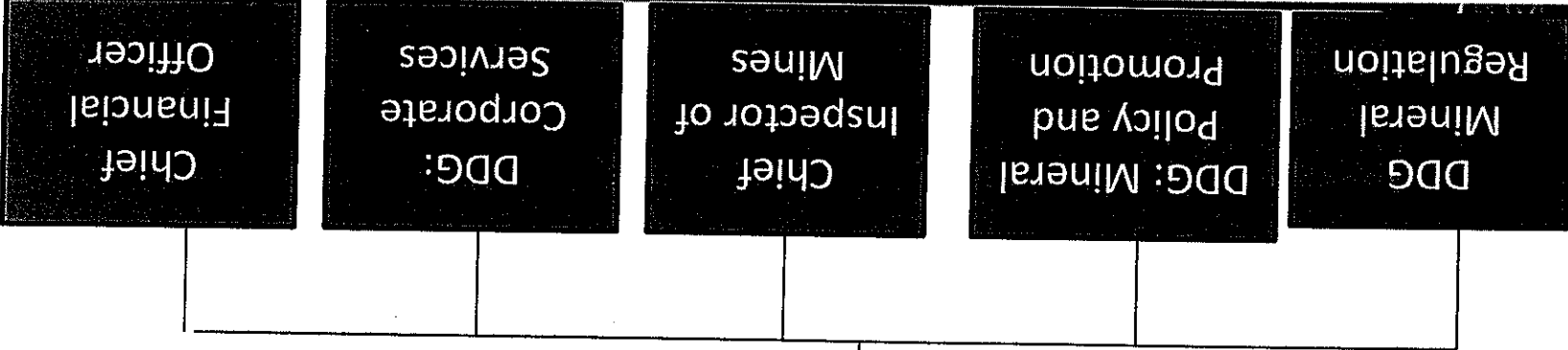
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DMR Structure

MINISTRY

Director General's
Office





Annual Financial statements

This section can be read in conjunction with
pages 136 to 206 of the Tabled Annual Report



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Departmental receipts

		2013/2014			2012/2013		
Departmental receipts	Estimate	Actual	Under Collection	Estimate	Actual	Under Collection	
	R'000	R'000	R'000	R'000	R'000	R'000	
Sale of goods and services other than capital assets	2,560	2,416	144	2,124	4,157	(2,033)	
Fines, penalties and forfeits	1,226	1,115	111	1,476	1,206	270	
Interest, dividends and rent on land	37,064	104,938	(67,874)	93,920	87,158	6,762	
Financial transactions in assets and liabilities	798	565	233	1,516	842	674	
Total	41,648	109,034	(67,386)	99,036	93,363	5,673	



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Departmental receipts

Revenue collection amounted to R109 million [#] against the estimated R41.6 million for the 2013/14 financial year.

- Included in interest, dividends and rent on land is the revenue from royalties and prospecting fees which amount to R104.8 million and constitute 95% of total revenue received.
- The over-collection relates to royalty payments received from holders of converted mining rights
- The Department has continued to improve systems to ensure more efficient and effective collection.



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Appropriation Statement-Programme Expenditure

Programme Name	2013/2014			2012/20013		
	Final Appropriation	Actual Expenditure	Under/ (Over)	Final Appropriation	Actual Expenditure	Under/ (Over)
	R'000	R'000	R'000	R'000	R'000	R'000
1. Administration	310,144	308,572	1,572	295,254	295,254	-
2. Mine Safety and Health	153,998	153,220	778	141,511	140,715	796
3. Mineral Regulation	205,521	205,521	-	191,609	191,395	214
4. Mineral Policy and Promotion	724,186	719,906	4,280	547,159	546,278	881
TOTAL	1,393,849	1,387,219	6,630	1,175,533	1,173,642	1,891

low



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Appropriation Statement-Programme Expenditure

The Department spent R1.387 billion or 99.52% of the adjusted appropriation of R1.394 billion for 2013/14 financial year.

- R435.251 million was spent on compensation of employees.
- R249.551 million was spent on goods and services.
- R688.499 million transfer to entities was fully spent in line with its purpose and
- R13.908 million was spent on capital assets.



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Compensation of Employees

1. Compensation of employees comprised salaries and related benefits.
2. The expenditure increased from R395.914 million in 2012/2013 to R435.251 in 2013/2014
3. The main reasons for the increase are due to the normal salary adjustments and the filling of vacant posts.
4. Number of employees increased from 1 098 in 2012/2013 to 1 138 in 2013/2014.



Goods and Services

1. Goods and Services comprise capital assets less than five thousand, computer costs and other operational costs.
2. The expenditure increased from R227.890 million in 2012/13 to R249.551 million in 2013/14 mainly due to inflationary related adjustments.
 - The increase in other operational expenditure relates to the payment in obligatory country membership fees to the African Diamond Producers' Association (ADPA).
 - Travelling costs has decreased mainly on local travel as a result of the cost containment measures.



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Transfers to entities

Name of Public Entity	Services rendered by the public entity	Amount spent
Mintek	Fundamental research and development in efficient mineral processing technologies and value added products and services	R364 709 000
The South African Diamond and Precious Metals Regulator	Regulation of the diamond, platinum and gold sectors.	R44,824, 000
Mine Health and Safety Council	The Mine Health and Safety Council is mandated, in terms of research programmes, regulations, standards, Occupational Health and Safety (OHS) policies, procedures and databases focused on minimising the occupational health and safety risk at mines	R 5 035 000
Council for Geoscience	Management of mine pollution impact on the water resources of South Africa	R271 232 000
	Strategic Mine Water Management Plan – Witwatersrand Basin	
	Management of State contingent liabilities with respect to derelict and ownerless mines in South Africa	
	Promotion of exploration and mining investment in the mineral and energy sectors	
The State Diamond Trader	The State Diamond Trader's main business is to buy and sell rough diamonds in order to promote equitable access to and beneficiation of diamond resources.	Nil



Statement of financial position

Economic Classification	2013/14	2012/13	Variance	Variance
	R'000	R'000	R'000	%
Current Assets	45,808	13,340	32,468	70.88
Current Liabilities	43,306	10,970	32,336	74.67
Net Assets	2,502	2,370	132	5.28
Recoverable Revenue	2,502	2,370	132	5.28



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Statement of Financial Position

- The increase on current assets is attributed to the balance on cash and cash equivalents. —Cash not yet cleared at year end.
- The increase in liabilities represents funds to be surrendered to the National Revenue Fund.



Report of the Auditor General

unqualified report *

- The report of the Auditor General was received and accepted by the department.
- The department has successfully implemented the recommendations of the Auditor General from the previous financial year.
- The department will continue to improve the internal control environment to ensure reliable financial reporting and compliance with legislation.



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Report of the Auditor General

Areas of Improvement

Issue:

Material adjustments on the Annual financial statements(AFS)

Improvement plan:

- Implementation of Standard Operating Procedures(SOP)
- Implementation of new debtors management system

Progress on action plan:

- SOP are being implemented.
- A revenue management system is being implemented for the 2014/15 reporting period





Performance Information for All Programmes



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Programme 1 Corporate Services

This section may be read in conjunction with pages 33 to 46 of the
Tabled Annual Report

PURPOSE

Programme 1 CORPORATE SERVICES

Purpose

To enable the Department to deliver on its mandate, by providing strategic management and administrative support



Corporate Services Achievements -

✱ Communicate DMR programmes and policies

- Website and intranet updated in a timely manner and current
- Successful media briefings, public participation engagements and positive and balanced newsletters published and broadcast
- Implementation of internal communication strategy

Contribute to skills development

- 16 mining career awareness initiatives were held for communities and universities.
- 35 acquired bursaries for youth to study towards mining related qualifications



Corporate Services Achievements (Cont)

Sustainably develop vulnerable groups

- Projects have been facilitated for vulnerable groups; *mainly women and kids*

Develop and review internal processes, guidelines and policies

- Reviewed 9 guidelines / policies / Operational Level Agreement and mapped 11 business processes.

Ensure compliance with HR legislation

- Financial disclosures submitted within prescribed time frames

Ensure Implementation of National Vetting Strategy ✕

- All new employees were screened as well as service providers and target for vetting was also exceeded



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Corporate Services Challenges

Attract, develop and retain skills

- % Reduction in Staff Turnover – Target not achieved due to exits
- The Department has advanced significantly in terms of its transformation objectives. However we need to address the attraction into the Department of designated groups such as the disabled, coloureds and Indians.



Corrective Measures

Achievement of EE targets

- Targeted recruitment and advertising will be used to attract designated groups.
- Retention mechanism will be put in place e.g. Occupational Specific Dispensation for critical skills – funding remains a challenge.

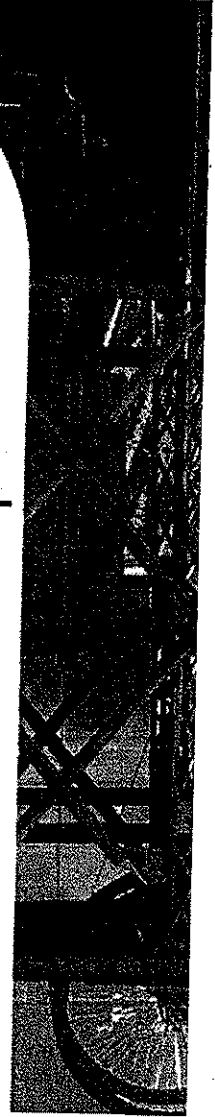


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Programme 1.1 Financial Administration

This section may be read in conjunction with pages
47 to 53 of the
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Programme 1.1

Financial Administration Branch

Purpose:

To provide strategic and administrative support services to the Ministry and the Department



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Key Achievements

- Empowerment and education of stakeholders
- The stakeholder awareness on compliance with policies and procedures has improved.
- Improvement of service delivery.
- Defined turnaround times were achieved.
- The customer satisfaction target of 3 was met.
- Promotion of transformation policies.
- 98% of invoices were paid within 30 days, 94.97% in 2012/2013



Key Achievements

- Provision of ICT systems.
 - The service level agreement target to achieve 98% system availability was achieved.
- Provision of reliable and timely information.
 - All identified regulatory reports were submitted within the prescribed timeframes.



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Key Achievements (Continues)

- Alignment of ICT to business objectives.
- 100% implementation of system master plan which includes the newly introduced ICT corporate governance framework was achieved.
- Implementation of policies, processes and procedures. Internal policies and procedures were developed and implemented.
- The improvement of turnaround times
- Key processes were identified where process turnaround times were improved, e. g processing of invoices for payment.



Key Achievements (Continues)

- Alignment of budget to strategy
 - ✖ Expenditure was in line with the original allocated budget.
- Effective management of costs
 - ✖ Number of irregular expenditure reported cases improved by 61%
- Promotion of corporate governance
 - ✖ Action plans on internal audit, compliance framework were fully implemented.



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Key Challenges

- Effective management of costs
- Cases of irregular expenditure were identified (More internal training of staff will take place)
- Maximum utilisation of resources
- Asset management - life-cycle maintenance
- Promotion of corporate governance
- Expedite and effectively implement external and internal audits recommendations



Corrective Measures

- The policy on irregular and fruitless expenditure was developed and it provides for sanctions on transgression.
- More awareness being conducted regarding care for and use of assets in the Department
- The remaining activities relating to risk management and external audit action plans have since been finalized after year end .



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Programme 2 Mine Health and Safety (MHSI)

This section may be read in conjunction with pages 54 to 63 of the
Tabled Annual Report



Acronyms

1. **CWP** – Coal Workers Pneumoconiosis
2. **NIHL** – Noise Induced Hearing Loss.
3. **PTB** – Pulmonary Tuberculosis.
4. **Si-TB** - Silico Tuberculosis.



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MHSI MANDATE AND MISSION

MANDATE

To execute the Department's mandate to safeguard the health and safety of mine employees and people affected by mining activities.

MISSION STATEMENT

The MHSI strives towards a safe and healthy mining industry. This is to be achieved by reducing mining related deaths, injuries and ill health through the formulation of national policy and legislation, the provision of advice, and the application of systems that monitor and enforce compliance with the law in the mining sector.



Achievements/ Successes

Promote Health and Safety

- 17% improvement in all fatalities from 112 in 2012 to 93 in 2013, which is the lowest fatalities ever reported.
- Coal, Gold and Platinum sectors have recorded a reduction in fatalities, of 36%, 30% and 4% respectively.
- 75% reduction in explosives fatalities from 4 in 2012 to 1 during 2013.
- Machinery fatalities decreased by 67%, from 9 in 2012 to 3 during 2013.
- 44% reduction in general fatalities, from 34 in 2012 to 19 during 2013.
- 10 % reduction in employee overexposure to noise.
- Audits (119%) and Inspections (118%) conducted.



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Achievements/ Successes

Develop and review internal processes

- HIV and TB reporting form was developed and mines are now reporting to the Department.
- * Exam procedure for GCC engineers reviewed and currently being implemented

Human Resource Development:

- 13 assistant inspectors are undergoing inspector training at various regional offices.
- * 50 learner inspectors placed at mines, in collaboration with MQA, for experiential training.
- * A total of 126 officials attended Defensive Driver Training to curb road accidents that may be encountered while carrying out legislative mandate.

Officials attended technical and administrative courses.

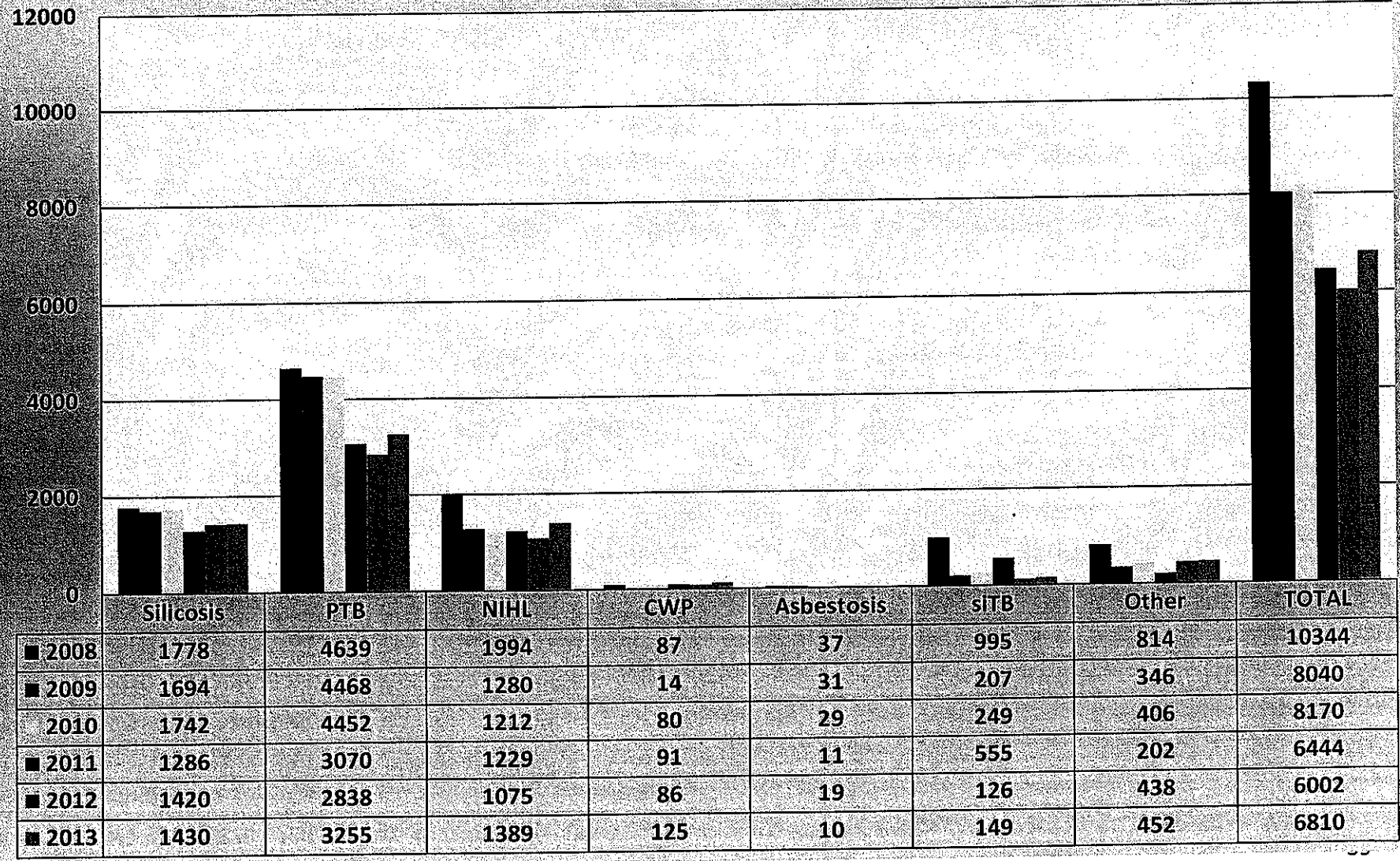
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Occupational Diseases All Mines 2008 - 2013

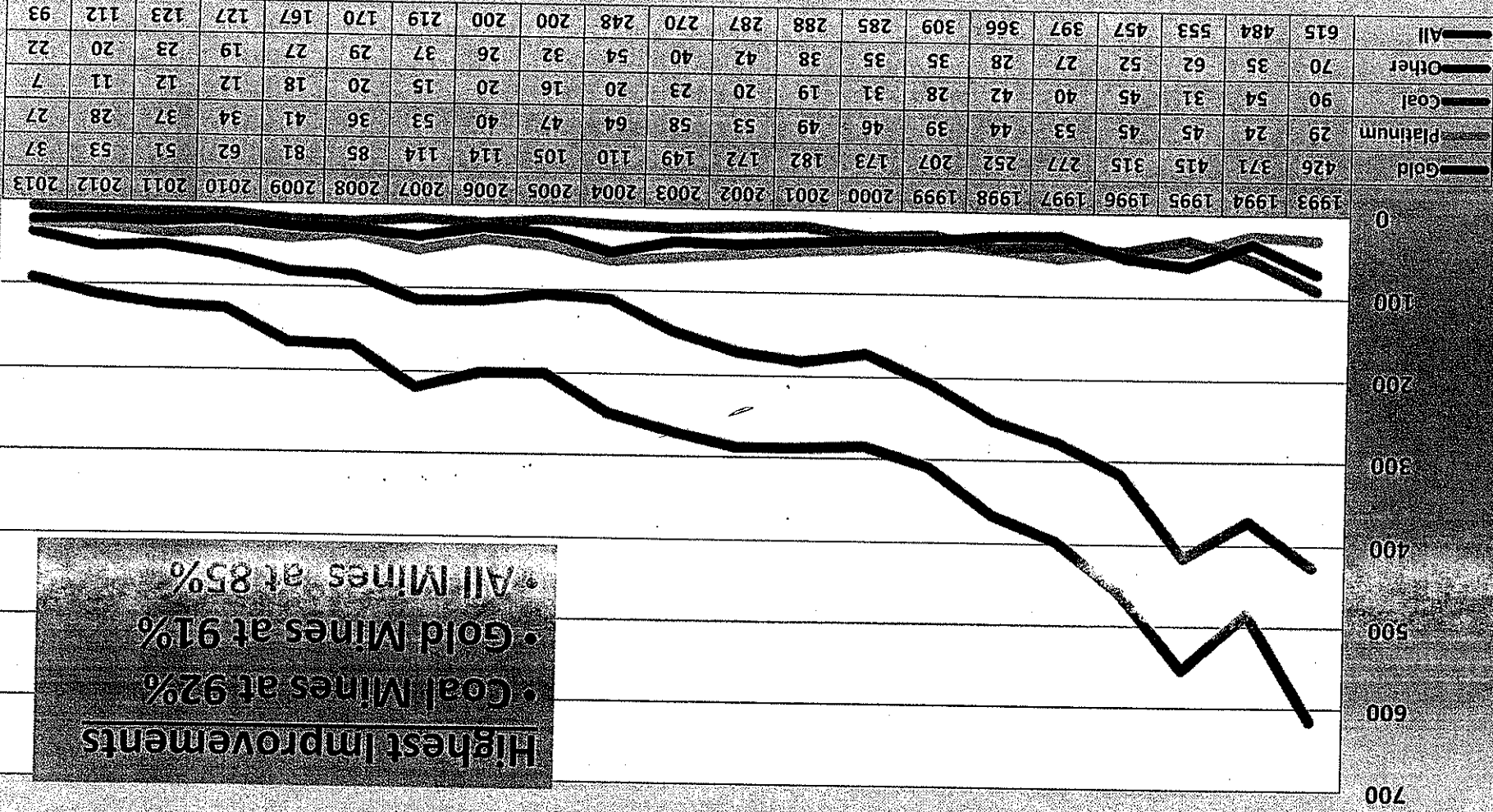


Fatalities by Commodities

1993 - 2013

Highest Improvements

- Coal Mines at 92%
- Gold Mines at 91%
- All Mines at 85%



Actual Fatalities and Rates per Region

Regions	2013	rates	2014	rates	% Change
Gauteng	31	0.16	21	0.12	-25
NW - Klerksdorp	9	0.19	5	0.11	-42
NW - Rustenburg	25	0.07	30	0.09	-29
Free State	12	0.15	8	0.10	-33
Mpumalanga	14	0.07	11	0.06	-14
Limpopo	15	0.13	6	0.05	-62
KwaZulu- Natal	1	0.03	9	0.27	800
Northern Cape	3	0.04	2	0.02	-50
Western Cape	2	0.14	0	0.00	-100
Eastern Cape	0	0.00	1	0.21	100
All Mines	112	0.10	93	0.09	-10



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Programme 3 Mineral Regulation

This section may be read in conjunction with pages 64 to 71 of
the Tabled Annual Report

Programme 3

Mineral Regulation

Purpose

To regulate the minerals and mining sectors to ensure economic development, employment and ensure transformation and environmental compliance.

Objective

To transform the minerals and mining sectors into one that competitively contributes to the sustainable development in the country.



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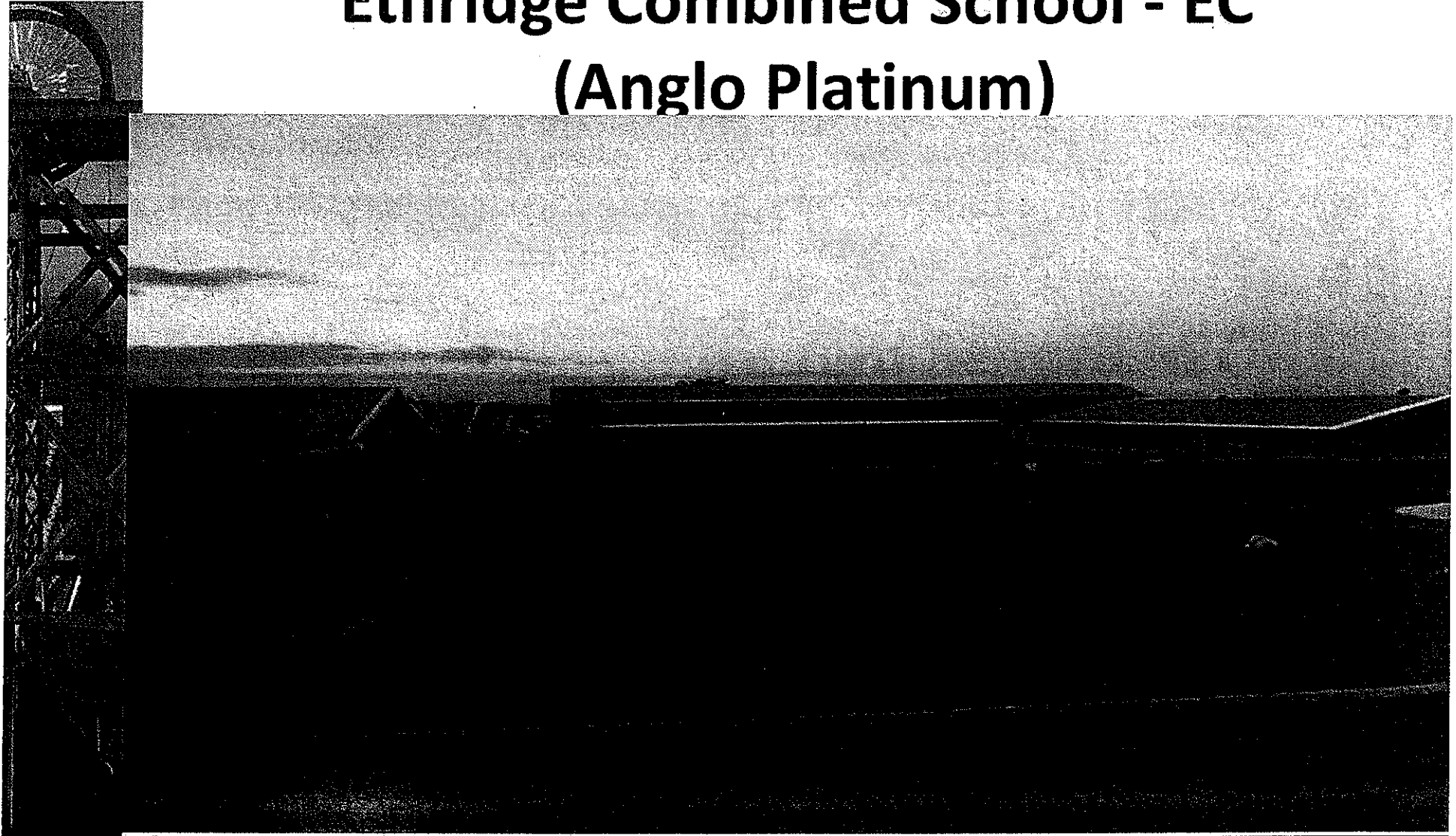
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Mineral Regulation Achievements

1. Implemented 60 SME development projects
2. 272 Consultations and engagements with communities and industry workshops.
3. 147 LED development projects towards sustainable job creation
4. 2 975 inspections to monitor and enforce compliance conducted
5. Action to enforce compliance, alternatively to revoke rights initiated resulting from drive on inspections.
6. Developed mechanisms to streamline the licensing processes for mining, environment and water authorizations.

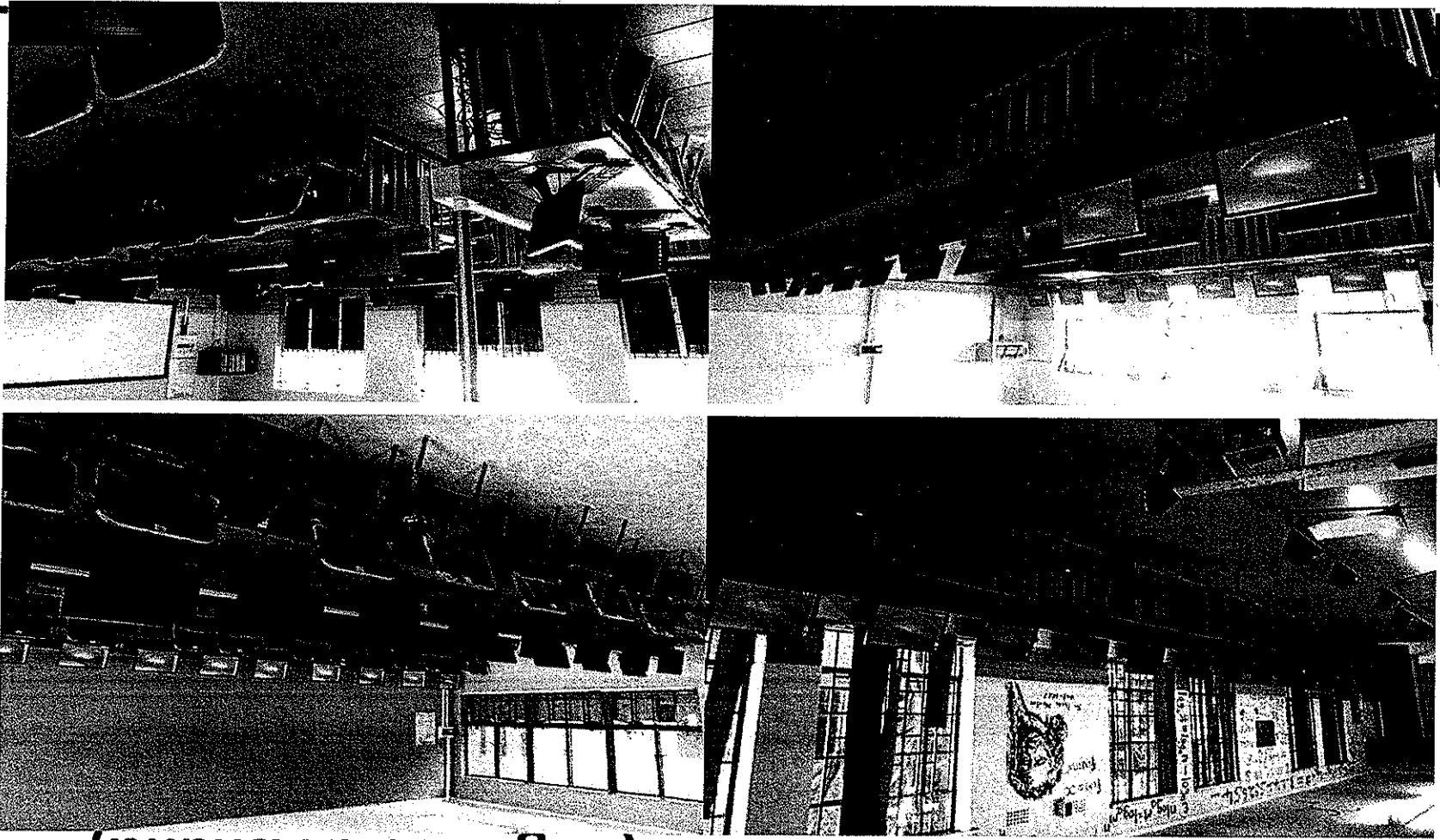


Ethridge Combined School - EC (Anglo Platinum)



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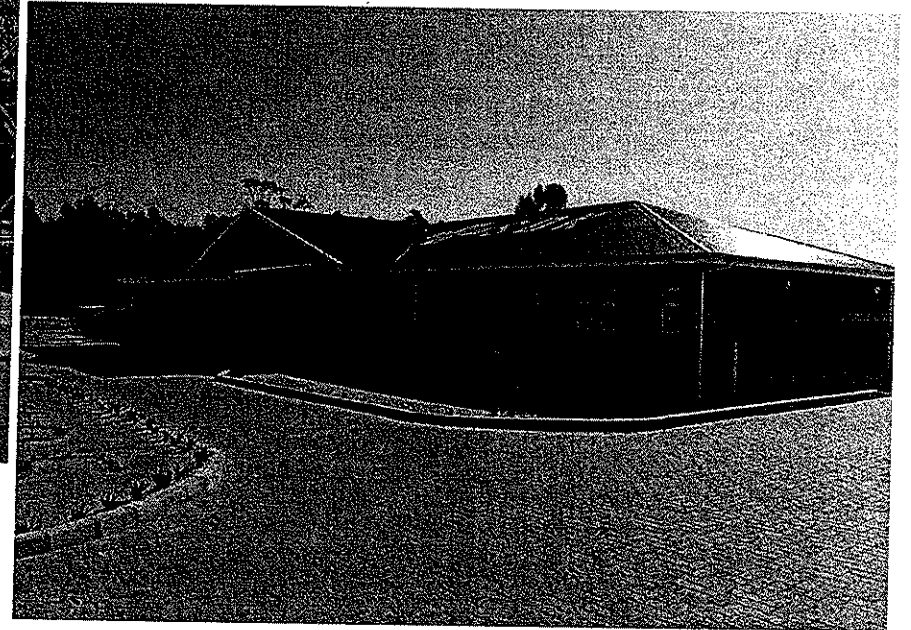
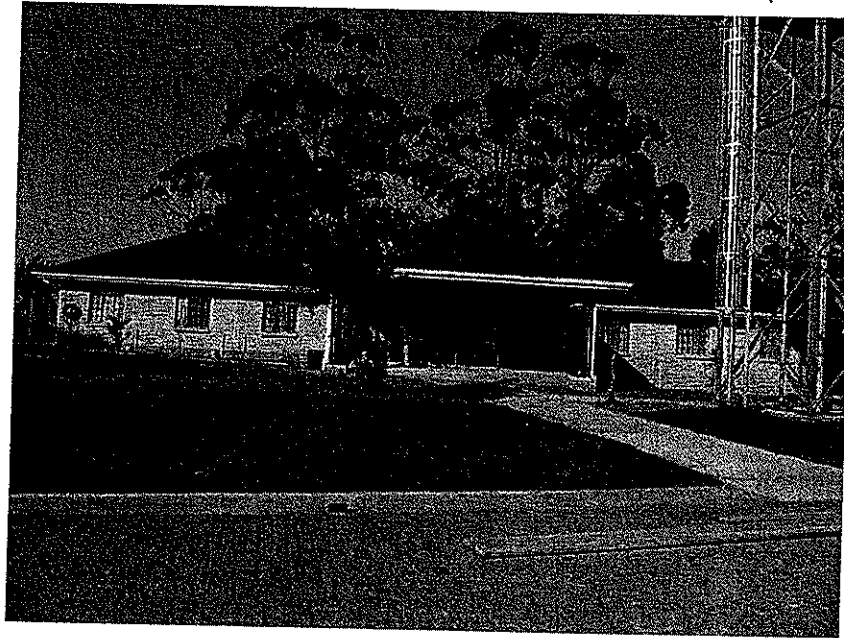
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ONLINE IT PROJECT - EC (Anglo Gold Ashanti)



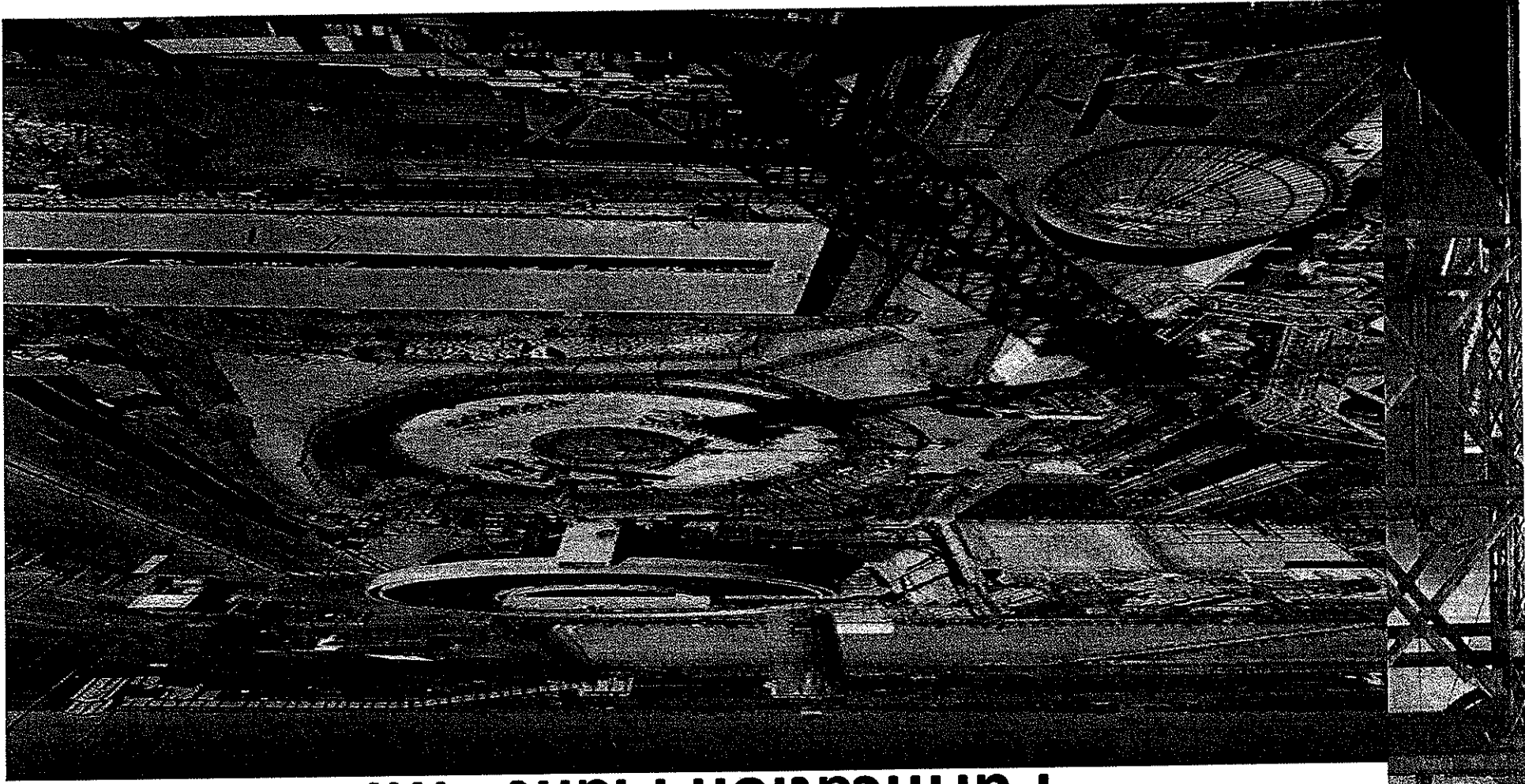
Mbonambi and Sokhulu Clinics –KZN (Richards Bay Minerals)



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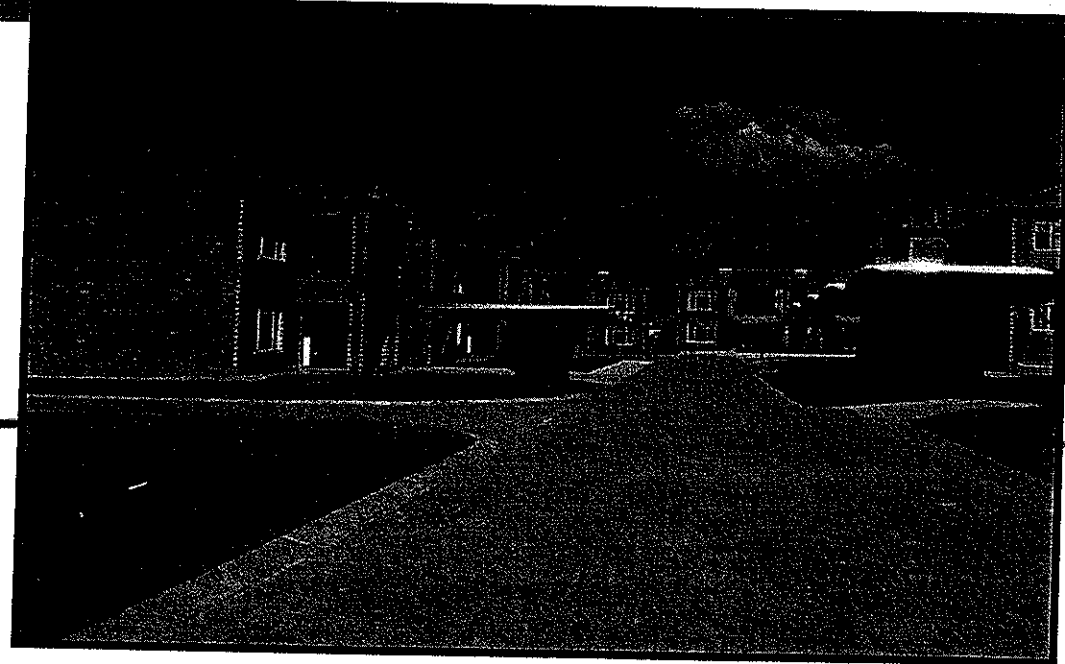
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Anglo American Thermal Coal Water Purification Plant - MP



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Impala Platinum Village and Woodridge housing development – North West



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Sunrise Secondary School, Rustenburg Municipality- NW (Impala)





Programme 4

Mineral Policy and Promotion

**This section may be read in conjunction with pages 72 to 79 of
the Tabled Annual Report**



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Programme 4 Mineral Policy & Promotion

Purpose

To formulate mineral-related policies and promote the mining and minerals industry of South Africa, making it attractive to investors.

Objective

Through research, provide relevant information to enhance global competitiveness, review policies and formulate legislation to achieve transformation and attract new investment into South Africa's minerals industry.



Mineral Policy key Achievements

Ensure transformation in the sector

- MPRDA and MHSA Bills drafted and certified

Promote investment in the Mining Sector

- Strategic and technical partnerships established
- Provide support to the Framework Agreement for a sustainable mining industry.
- Hosting the jewellery forum (2-days)



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Mineral Policy key Achievements

Promote investment in the Mining Sector -----continue

- Continuation of promotional activities e.g. Publications
- Non-financial support for SMEs
- Technical Regulations for the development of petroleum resources (Shale gas) published
- Draft shale gas communication strategy developed
- Chaired the 10th Anniversary of the Kimberly Process Certification Scheme

Promote sustainable resource use and management

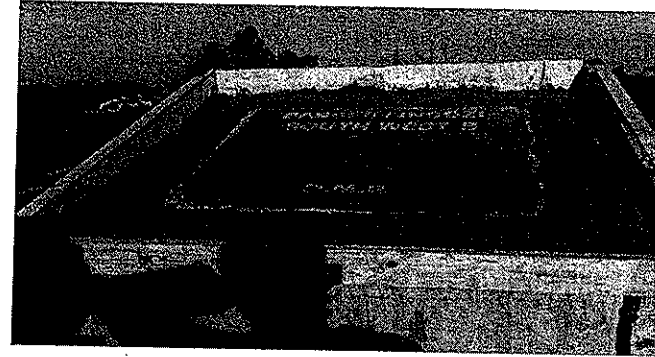
- Mining environmental management framework developed
- Derelict and ownerless sites rehabilitated (28 holdings closed – 7 in Limpopo and 21 in Gauteng)



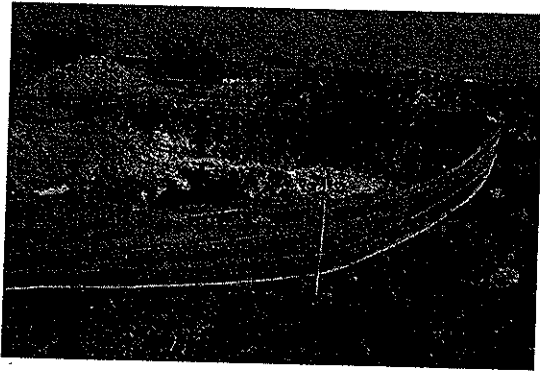
Holings closed in Gauteng



Gauteng: South-West Shaft (Before)



Gauteng: South-West Shaft (After)



Gauteng: Munseiville Shaft (Before)



Gauteng: Munseiville Shaft (After)

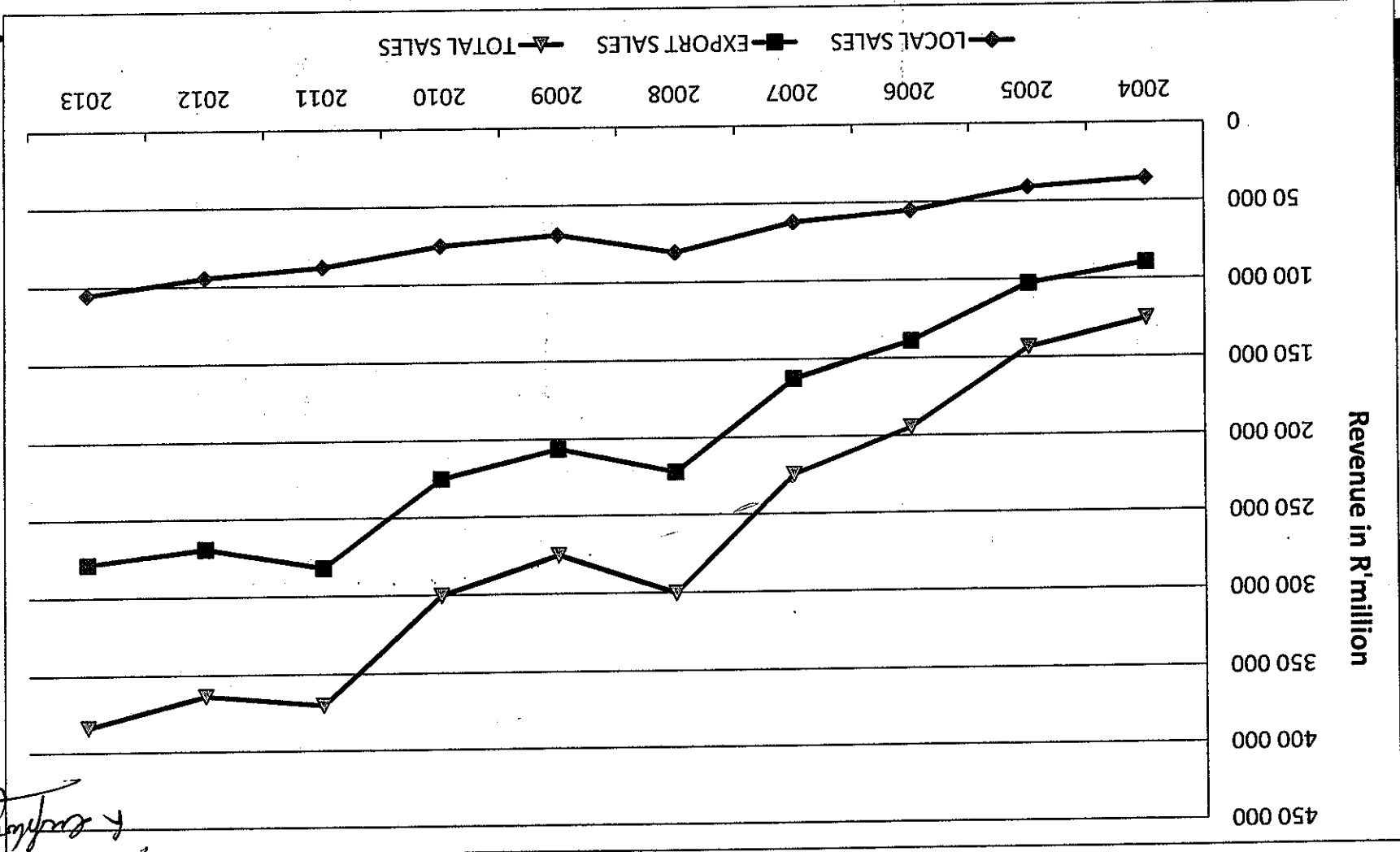


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Source: DMR

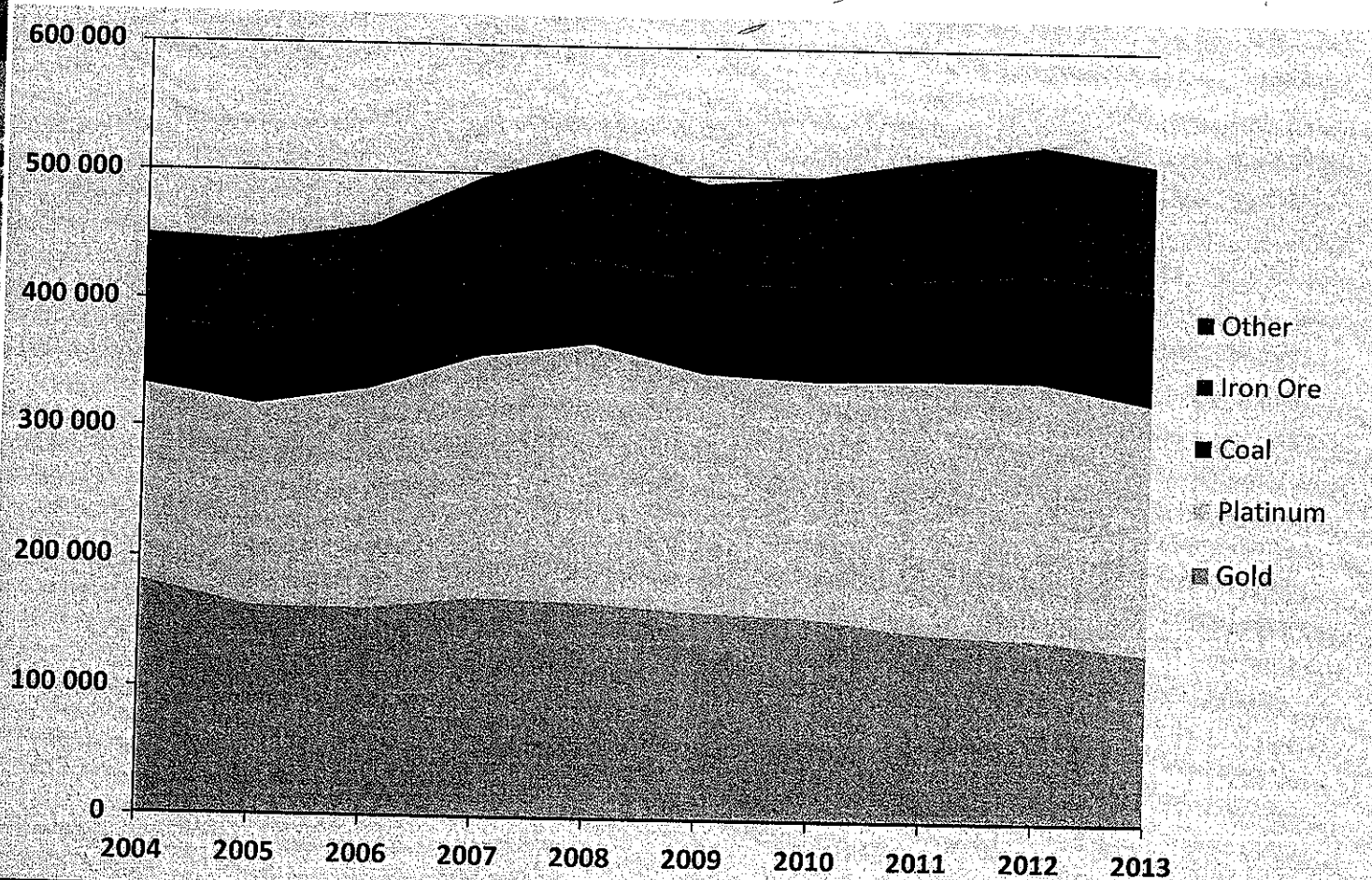


MINING REVENUE

*Significant increase in revenue
to R135 million*



EMPLOYMENT TREND IN THE MINING INDUSTRY: 2004 TO 2013



*employment
figure starting
@ 500 000
high in the
North Cape
was found to
be far more*



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MINING EMPLOYMENT FIGURES PER PROVINCE

Province	2011	2012	2013
Eastern Cape	1 228	1 727	1 758
Free State	39 763	39 510	37 918
Gauteng	77 002	75 971	70 649
KwaZulu Natal	10 969	11 621	11 509
Limpopo	65 379	66 955	72 538
Mpumalanga	101 921	103 843	103 574
Northern Cape	177 676	181 753	37 711
North West	35 703	37 199	171 212
Western Cape	3 257	3 294	3 230
TOTAL	512 878	524 873	510 099

we want due to coal

reduction



THANK YOU



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