

Department of Mineral Resources

Briefing to the Portfolio Committee on Mineral Resources

2016/17 ANNUAL REPORT

DATE: 03 October 2017

Director-General : Adv. Thabo Mokoena



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PRESENTATION OUTLINE

1. Mandate
2. Vision, mission and values
3. Structure of the Department
4. Current status of the mining industry and performance
5. Annual Financial Statements
6. 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



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MANDATE

Constitutional mandate

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

Legislative mandate

Key legislation include Mineral and Petroleum Resources Development Act (Act No. 28 of 2002) and the Mine Health and Safety Act (Act No. 29 of 1996) which 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.

VISION

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.

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.

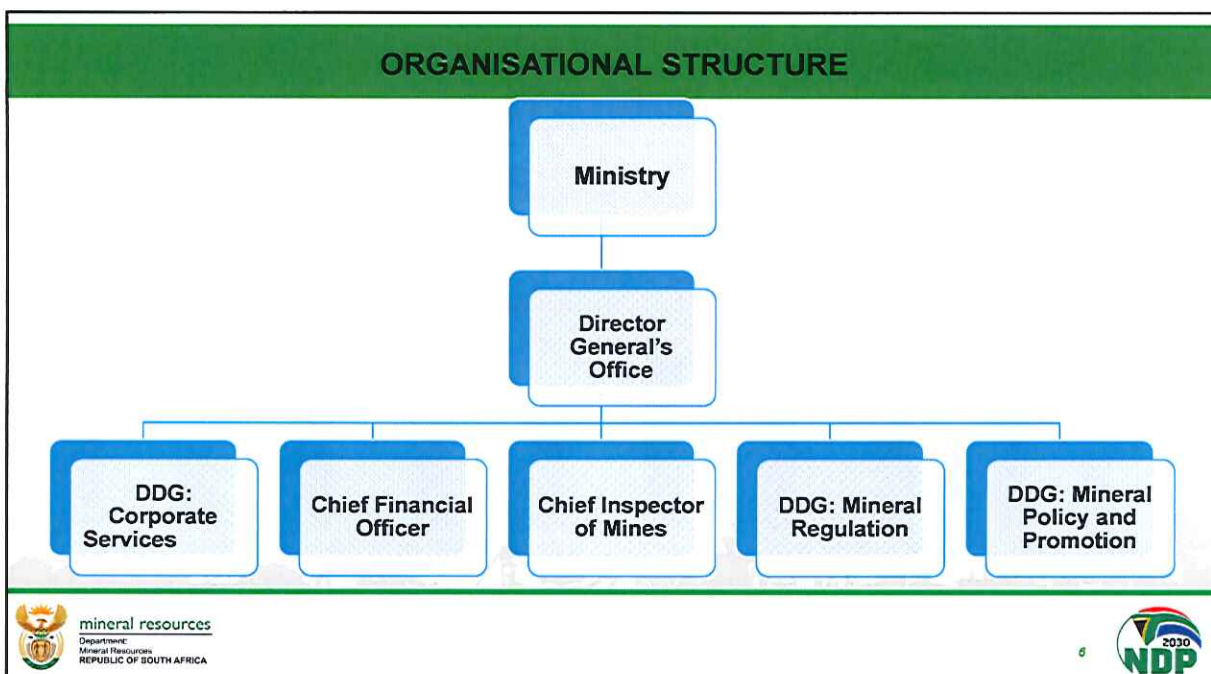
Values

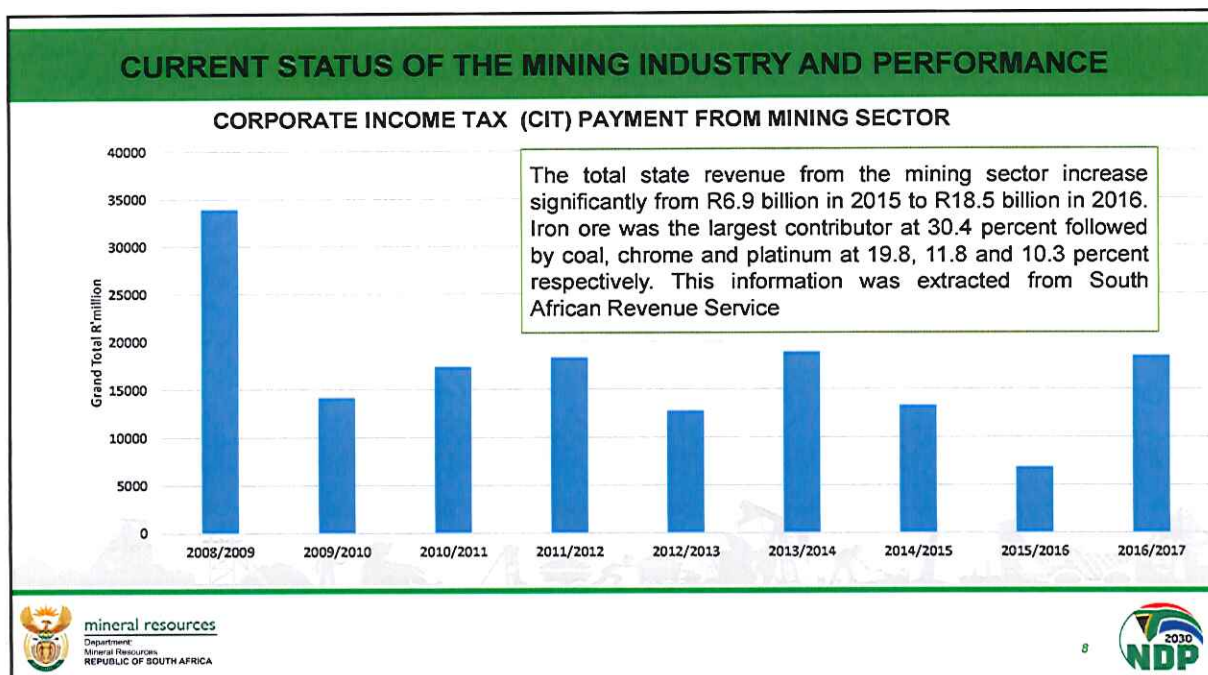
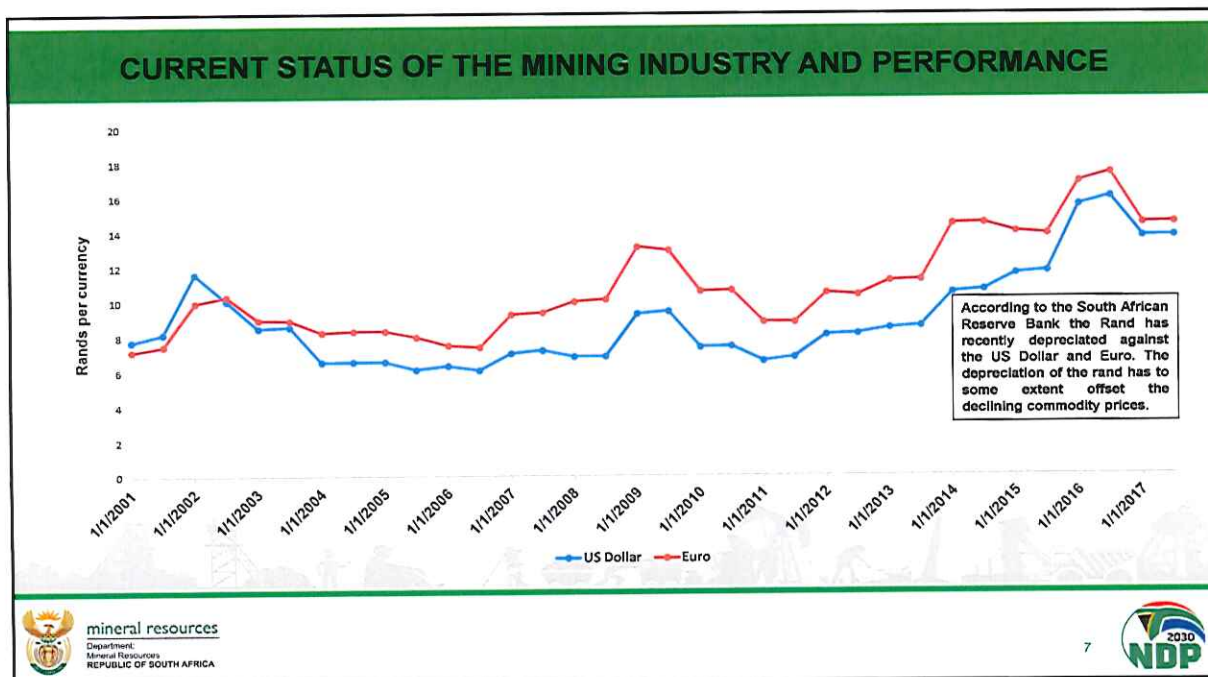
- Batho Pele (people first)
- Ethics
- Honesty
- Integrity
- Accountability
- Professionalism
- Ubuntu

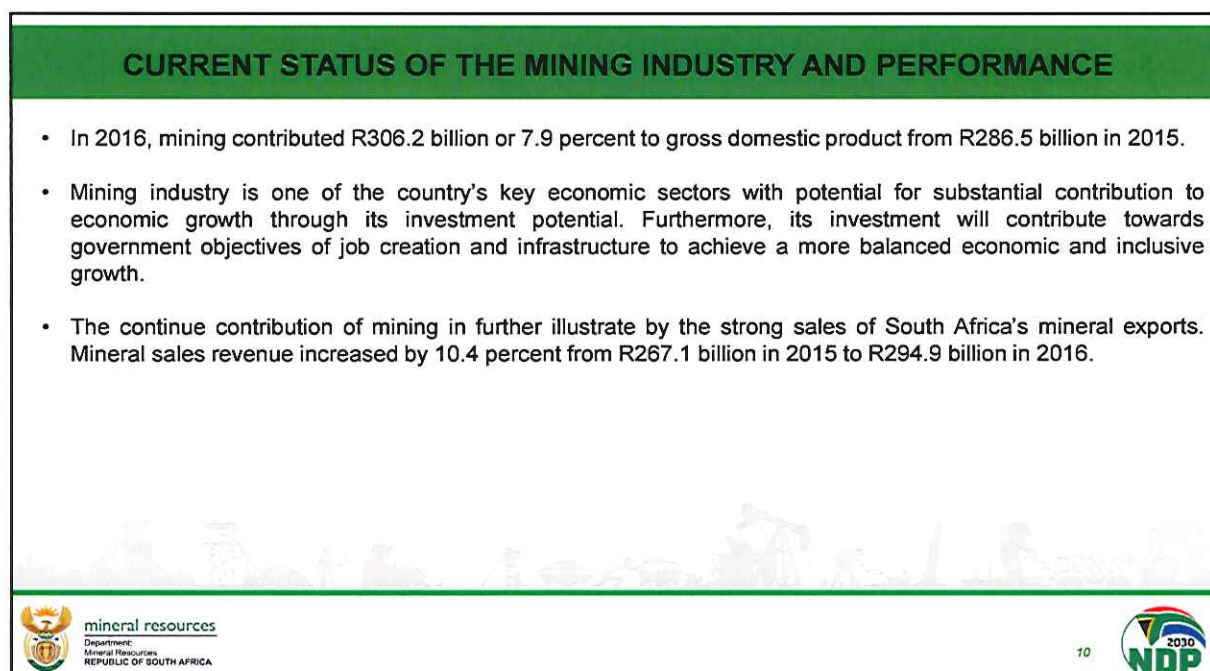
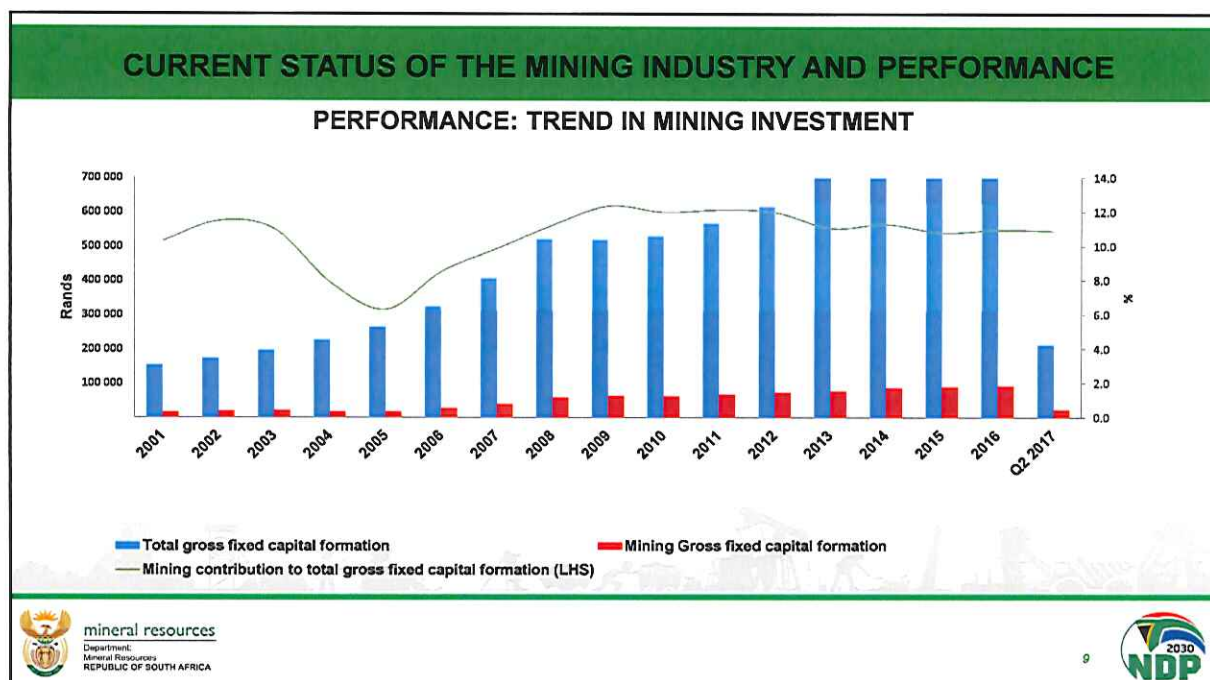


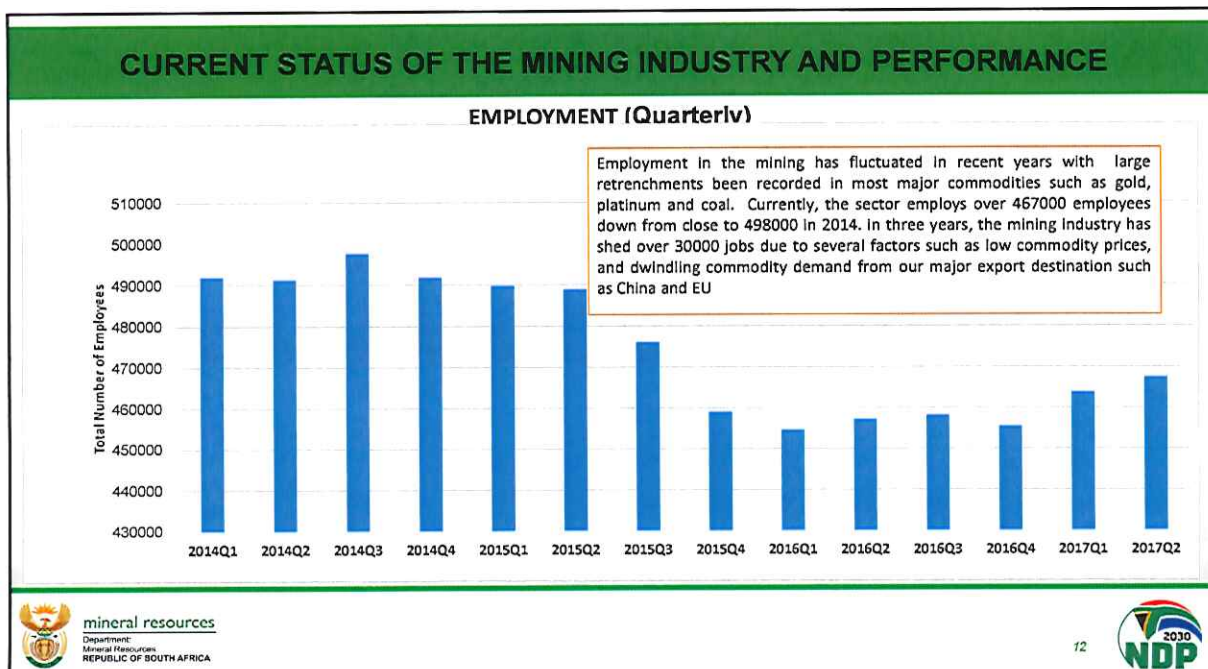
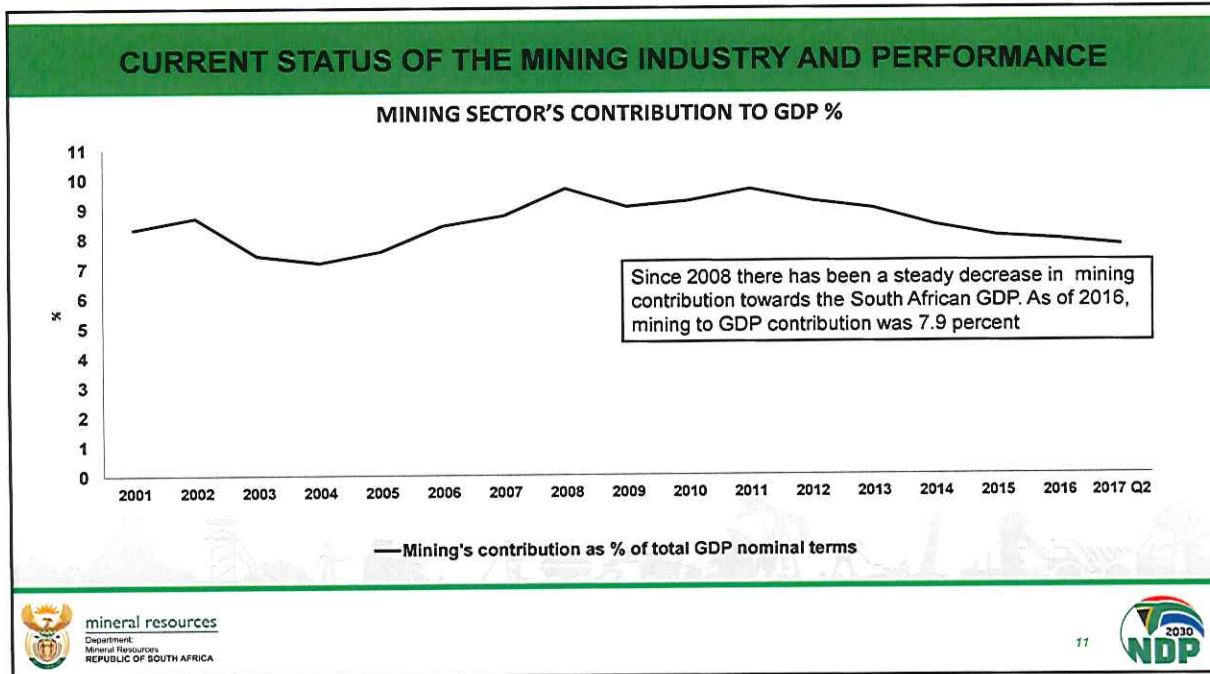
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CURRENT STATUS OF THE MINING INDUSTRY AND PERFORMANCE

- The sector plays an important role in our country's economy and this going to remain the case for many years to come.
- In growing the sector, it is business who need to come with innovative ideas on making the industry grow, where government assistance is required, our office remain open to support.
- The Minister of Mineral Resources, have been recently engaging with the platinum sector, on the challenges they face and ideas they have to unlock the economy, I believe that their initiatives will go a long way in not only depending on one stream of the economy to stimulate demand.
- The issue of Job losses and health and safety remains another important aspect of the mining sector which we have to work on as part of transformation in the industry.
- We have been working closely with our entities, and they will present more in the next two days on some of the initiatives they are embarking on exploration, research and development and beneficiation.

2016/17 ANNUAL REPORT

This section can be read in conjunction with pages 87 to 148 of the tabled Annual Report

E: Financial information

Auditor General Report:

Focus Area	2016/17	2015/16
Financial statements	Unqualified	Unqualified with material adjustment in the AFS
Pre-determine objectives	No material findings	No material findings
Compliance	No Material findings	Material findings

- The audit opinion on the financial statements reflects that the Annual Financial Statements present fairly the financial position of the Department as at 31 March 2017, and its financial performance and cash flows for the year ended in accordance with the Modified Cash Standards.
- The annual performance report further reflects that there were no material findings on the usefulness and reliability of the reported performance information on programme 2-4 which were selected for audit, findings on programmes which were identified during the audit were subsequently corrected.
- There were no instances of material non-compliance with selected specific requirements of applicable legislation which resulted in improved audit outcomes as compared to prior year.

E: Financial information

Appropriation Statement:

The appropriated funds comprise of Departmental allocation as well as direct charges against the revenue funds, they are included in the statement of financial Performance as Departmental Revenue that are collected and subsequently paid over to the revenue fund.

Revenue

The collected revenue for the period amount to R37.7 million against the projected revenue of R30.2 million, these is mainly due to efficiencies in collection.

Overall Expenditure

- The overall expenditure up to 31 March 2017 amounts to R1.661 billion or 99.5% of the total allocated budget of R1.669 billion.
- The variance of variance of R8.05 million or 0.5% is mainly on compensation of employees and acquisition of capital assets.
- Virements effected amounting to R57.434 million were effected to cater for shortfall in accommodation expenses.

E: Financial information

Appropriation Statement:

Compensation of employees

- Expenditure on Compensation of Employees is R559 million or 99% against the budget of R564 million. The variance on Compensation of Employees is mainly attributable to the moratorium on the filling of vacant posts that was imposed earlier during the financial year as a result of budget cuts of outer years from National Treasury. Only critical posts that can be afforded are being filled.

Goods and services

- Goods and Services expenditure amounts to R299.8 million or 93% of the budget of R300.8 million. The variance on goods and services, is mainly attributable to delay in filling vacant positions which has an effect on administrative expenditure.

E: Financial information

Appropriation Statement:

Expenditure for Capital Assets

- Spending on capital assets of R9.9 million which is 90% of the budget of R11 million. The variance is as a result of delay in implementing the refurbishments of some regional offices.

Transfer and Subsidies

- The transfers to entities were fully implemented in line with the projections.

E: Financial information

Annual Financial Statements

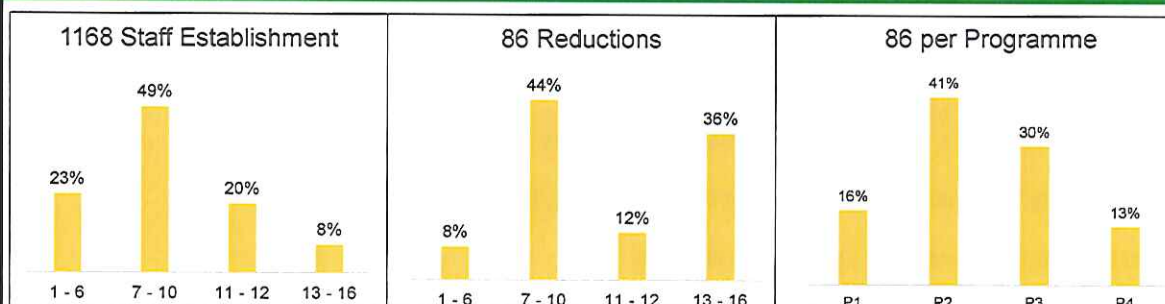
- The financial statements were prepared on a going concern basis using the Modified Cash Standard and consistence with the previous financial year with no changes in accounting policies.
- Transfers made to entities are disclosed on Annexure 1B and the detail expenditure is disclosed separately on the entities financial statements.
- The financial statements present fairly the activities of the Department.

E: Financial information

Budget pressures

- The current resources do not correlate with the demand and as such a further cut on financial resources and personnel will paralyse the Department.
- The Department through its efficiency effected cost cutting measures and managed to achieve more with less but more resources are required to achieve more.
- During the 2016 MTEF , government imposed budget cuts on compensation of employees, these resulted in the Department not being able to afford funded posts on the structure as approved.
- In the 2017 MTEF, The Department had 1,306 posts, 136 posts were abolished resulting in 1170 posts of which 78 were deemed critical vacant posts and 2 additional to staff establishment.
- A committee was formed to address staff challenges, and these resulted in certain priorities posts being identified in the hope that 2017 MTEF will address the budget shortfall.
- The situation remain the same and the Department continuously have to re-visit the posts that can be filled regardless of the ideal structure that support the mandate of the Department.

Additional posts to be abolished



- The personnel structure is such that 92% of the 1168 prioritised posts goes to level 1-12 whilst SMS accounts for 8%,
- Of the additional 86 posts that must be relinquished, 84% relate to key functions of the Department: Mine Health and Safety accounts for 41% , Mineral Regulation 30% and Mineral Policy and promotion 13%;
- 44% of the 86 posts are between level 7 and 10 salary bands and constitute critical skills, followed by level 13-16 (36%) mainly governance posts,
- While all the 78 vacancies cannot be filled, existing employees cannot respond to the quantum and sophistication of the mandate of the Department, which has grown extraordinarily and the rationalisation of posts negatively impacts on business

COE EXPENDITURE AS AT 30 SEP 2017

	R'000	
Budget Allocation	572 760	<ul style="list-style-type: none"> • As at 30 Sep 2017, the Department spent R286.8 million or 50% of R572.8 million allocated budget • It is anticipated, that DMR will incur a CoE deficit of R21.1 million at year end • A request for virement of R18 million from Transfer and subsidies to CoE is pending NT approval • If approved the projected deficit reduces to R3.1 million • Savings to offset R3.1 million must be generated from vacant posts.
Projected Expenditure	593 869	
Actual Expenditure	286 800	
Projections	307 069	
Projected Deficit	-21 109	


PROGRAMME PERFORMANCE INFORMATION


PROGRAMMNE 1 – ADMINISTRATION
PROGRAMMNE 1 – CORPORATE SERVICES (CS)
PROGRAMMNE 1.1 – FINANCIAL ADMINISTRATION (FA)


PROGRAMME 2 – MINE HEALTH AND SAFETY INSPECTORATE (MHSI)

PROGRAMME 3 – MINERAL REGULATION (MR)

PROGRAMME 4 – MINERAL POLICY AND PROMOTION (MPP)




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PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 1 – CORPORATE SERVICES (CS)

This section may be read in conjunction with pages 20 to 26 of the tabled Annual Report



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PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 1 – CORPORATE SERVICES (CS)

Purpose

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

CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

Communicate DMR programmes and policies

Successful media briefings, public participation engagement and positive and balanced newsletters published and broadcast.

Contribute to skills development

20 mining career awareness initiatives were held for communities and Universities.
25 bursaries were acquired for youth to study towards mining related qualifications.

Develop and review internal processes, guideline and policies

Reviewed 5 guidelines/policies/Operational Level Agreement and mapped 17 business processes.

CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

Sustainably develop vulnerable groups

7 Projects have been facilitated for vulnerable groups:

- SMME workshop targeting youth in Westonaria
- Facilitated the building of four classrooms at Silimela Primary School, Engcobo.
- Delivery of groceries benefiting twenty families of learners at St Vincent School for deaf.
- Facilitated a workshop in mining for young women scholars in partnership with MHSC.
- Entrepreneurship projects at Kamhlashwa Village.
- Entrepreneurship projects at Siyathuthuka Township in Mpumalanga.
- Business Management Training for the Youth Entrepreneurs and Cooperatives in Nkomazi Local Municipality.

CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

Ensure Implementation of National Vetting Strategy

All new employees were screened as well as service providers and contractors. Target for vetting of files is 100%.

Ensure compliance with legislation (HR and Occupational Health and Safety (OHS)

All Health, Safety and Wellness programmes were implemented:

- 1 Health Risk Assessments (HRA's)
- 2 Breast cancer awareness programme
- 3 HIV and AIDS awareness
- 4 Ongoing inspections of DMR offices - OHS
- 5 Fitness programme

CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

Ensure compliance with HR legislation

100% Financial disclosures submitted within prescribed time frames

Attract, develop and retain skills

Vacancy rate was 14% in 2015/16 it has decreased to 6%.

CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

CORPORATE SERVICES (CS)


CAREER AWARENESS


VENUE: BLUE EAGLE'S HIGH SCHOOL, COSMO CITY (GAUTENG PROVINCE)




CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

CAREER AWARENESS
VENUE: KHOMBINDLELA HIGH SCHOOL, NGWELEZANE TOWNSHIP, KZN PROVINCE





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CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

PROJECTS FACILITATED FOR VULNERABLE GROUPS
TYPE OF PROJECT: ENTREPRENEURSHIP WORKSHOP FOR THE YOUTH



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CORPORATE SERVICES – HIGHLIGHTS AND ACHIEVEMENTS

PROJECTS FACILITATED FOR VULNERABLE GROUPS
TYPE OF PROJECT: BUSINESS MANAGEMENT TRAINING FOR ENTREPRENEURS



CORPORATE SERVICES – CHALLENGES

- Low staff capacity due to lack of funds.
- Insufficient funding for programmes e.g. Imbizos and Community Projects.

CORPORATE SERVICES – CORRECTIVE MEASURES

- DMR will fill all vacant posts to reduce staff incapacity.
- Prioritising funding e.g. targeting vulnerable communities for projects.

PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 1.1 – FINANCIAL ADMINISTRATION (FA)

This section may be read in conjunction with pages 27 to 30 of the tabled Annual Report

PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 1.1 – FINANCIAL ADMINISTRATION (FA)

Purpose

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

Strategic objectives:

- Provision of efficient services to internal and external stakeholders
- Implement processes and systems
- Manage financial resources
- Promote corporate governance

FINANCIAL ADMINISTRATION – HIGHLIGHTS AND ACHIEVEMENTS

PROGRAMMNE 1.1 – FINANCIAL ADMINISTRATION (FA)

Manage financial resources

- The Financial resources of the Department were managed effectively with no cases of irregular expenditure reported for the period under review.
- The allocated budget was spent in accordance with projections and assets were effectively managed.

Promote corporate governance

- The Branch successfully implemented the Risk, Internal and External Audit Action Plan.
- This resulted in the Department receiving a clean audit for the 2016/2017 financial year.

FINANCIAL ADMINISTRATION – HIGHLIGHTS AND ACHIEVEMENTS

Provision of efficient services to internal and external stakeholders

- The Department recorded an improvement in payment of invoices in that all invoices were paid within 30 days. Its' average payment period of invoices is 12 days and all accruals recorded were less than 30 days.
- Office of the CIO has ensured that the systems are available 98.8% of the time.
- The Branch will continue to work with other branches to improve the customer satisfaction index through improvement of internal service delivery improvement.

Implement processes and systems

- The Branch ensured that the Department's ICT goals were aligned to support the strategic objectives of the Department through the implementation of the Master System Plan.
- Completed among others were licensing system integration strategy and the enforcement of ICT governance.

PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 2 – MINE HEALTH AND SAFETY INSPECTORATE (MHSI)

This section may be read in conjunction with pages 30 to 33 of the tabled Annual Report

PROGRAMME PERFORMANCE INFORMATION

PROGRAMME 2 – MINE HEALTH AND SAFETY INSPECTORATE (MHSI)

Purpose

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

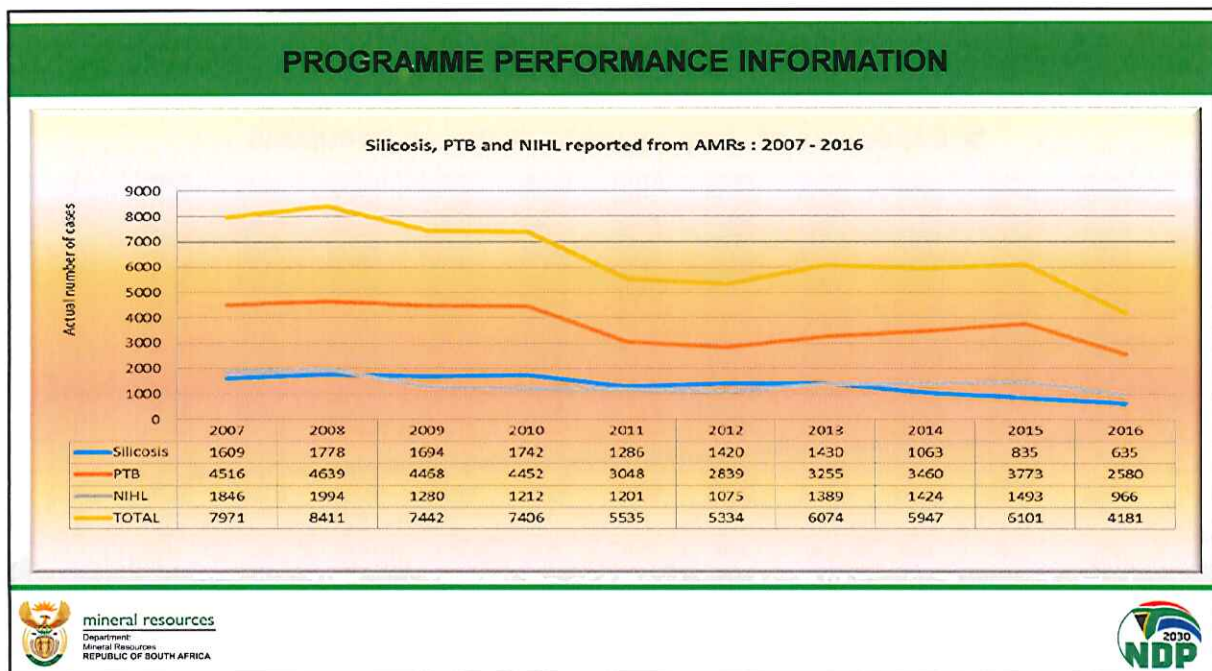
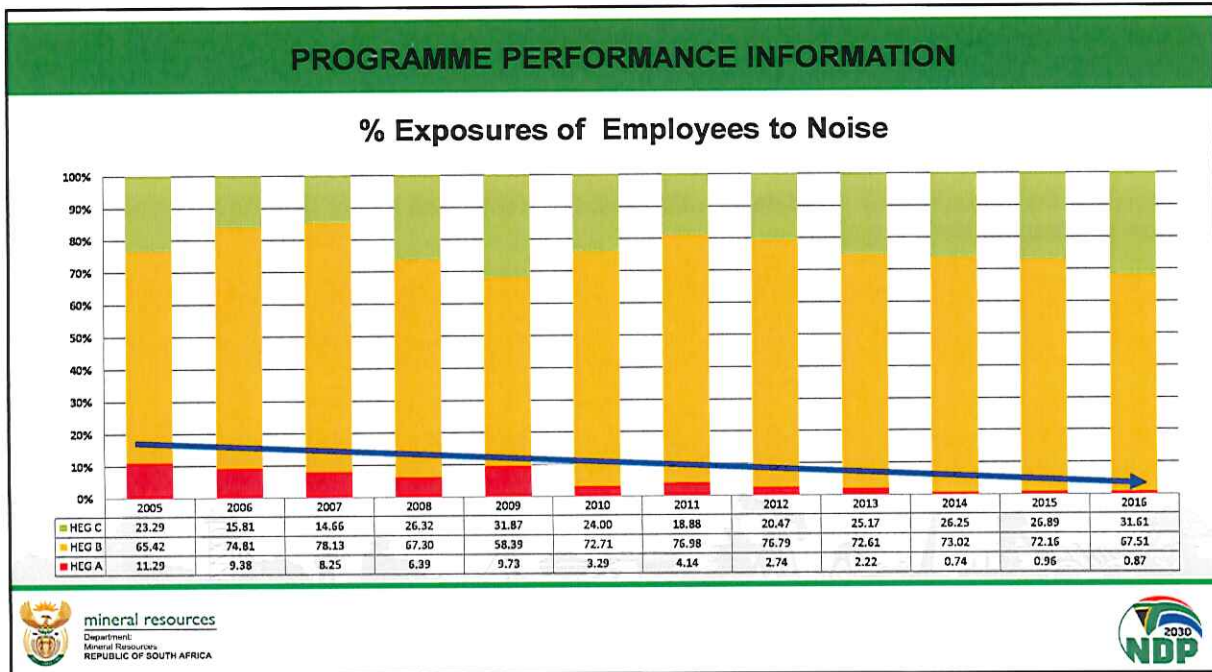
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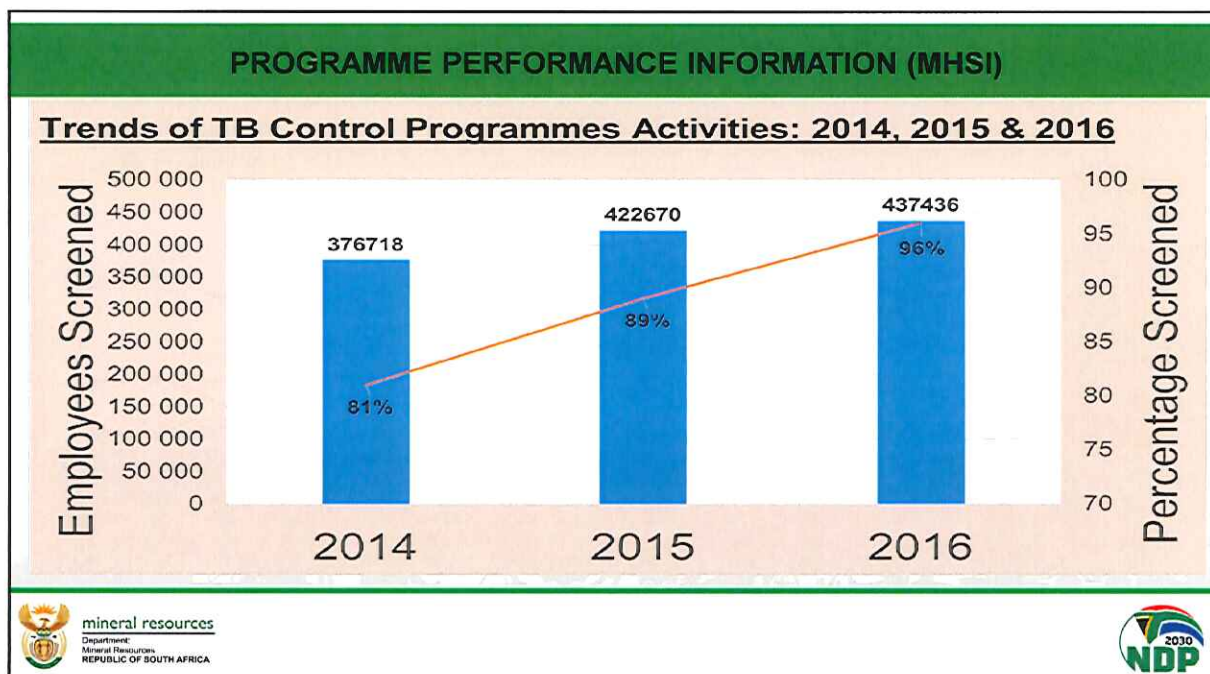
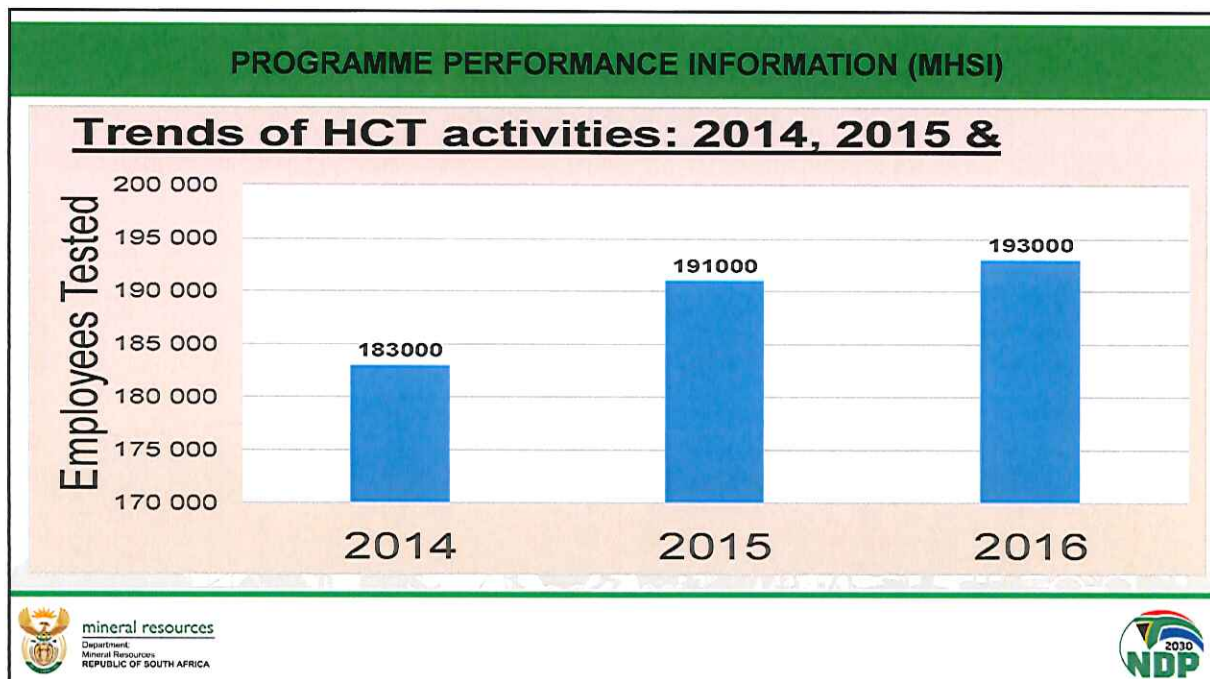
PROGRAMME PERFORMANCE INFORMATION (MHSI)

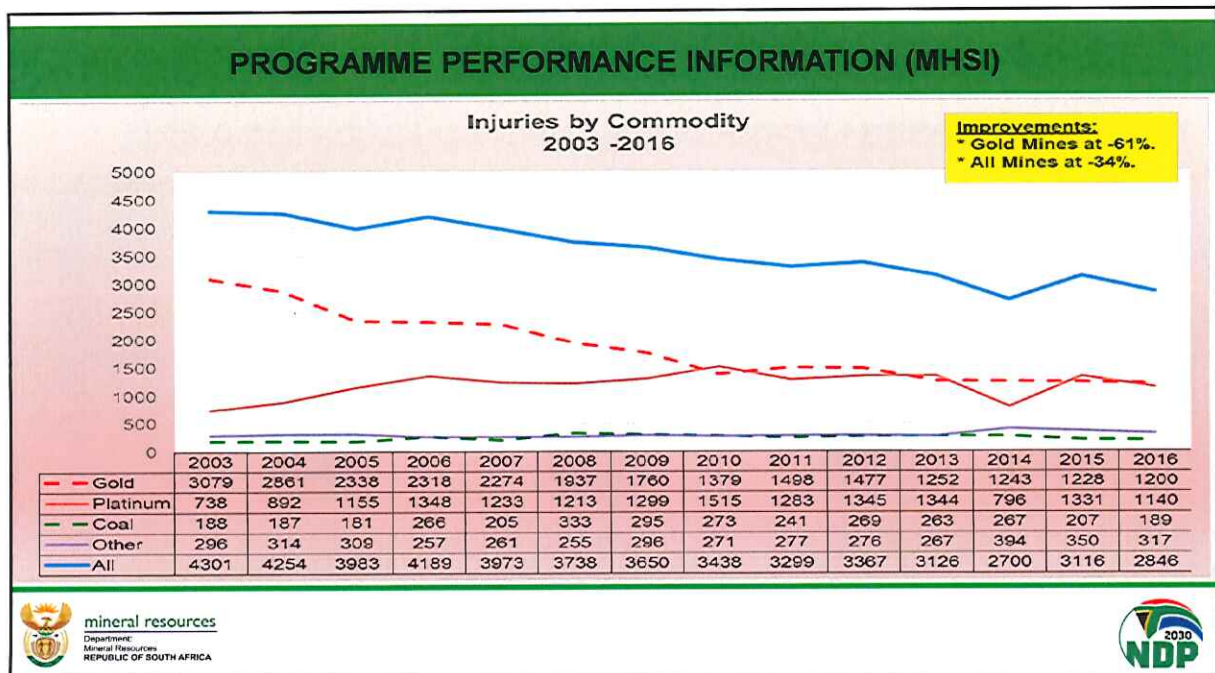
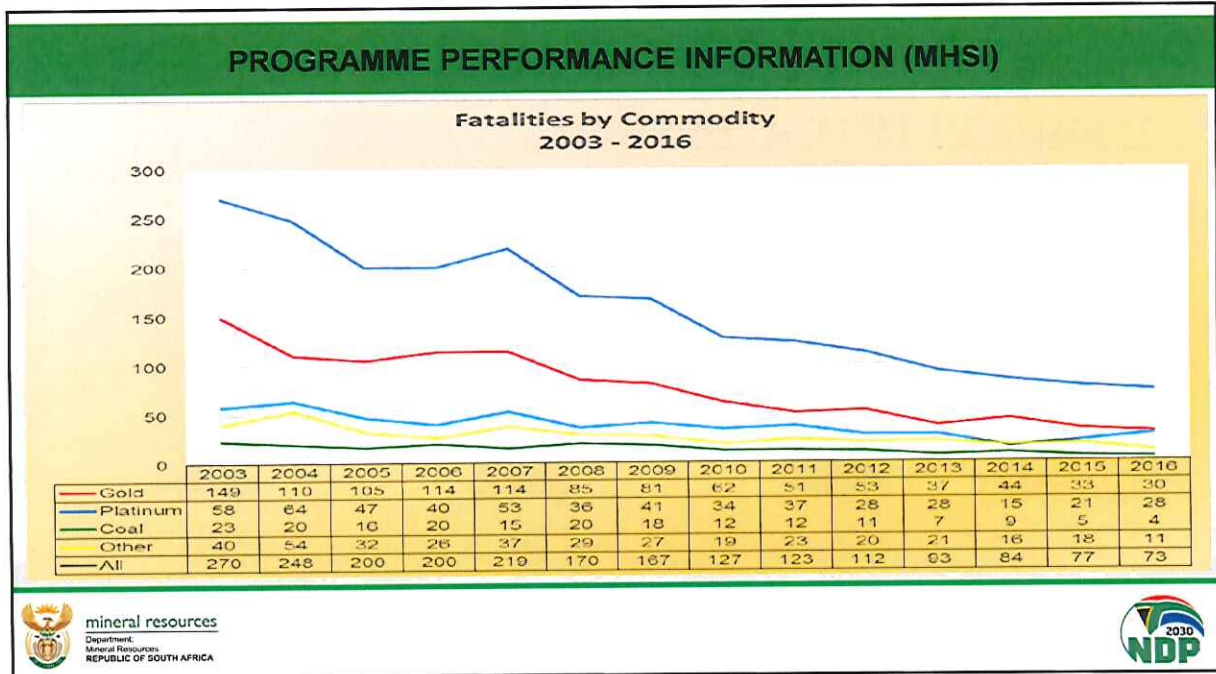
% Exposures of Employees to Airborne Pollutants

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
HEG C	61.85	64.71	61.81	71.10	72.23	71.27	70.29	68.74	75.50	75.94	75.80	78.55
HEG B	29.54	21.66	30.20	21.80	20.43	22.07	23.13	25.95	19.17	18.41	19.47	17.79
HEG A	8.61	13.63	7.98	7.10	7.34	6.66	6.59	5.30	5.33	5.65	4.73	3.66

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PROGRAMME PERFORMANCE INFORMATION (MHSI)

MINE HEALTH AND SAFETY INSPECTORATE (MHSI) – ACHIEVEMENTS

- Conducted 506 audits against the target of 396 resulting in 128% achievement
- Conducted 9379 inspections against the target of 8000 resulting in 117%
- Conducted 67 health and safety tripartite workshops against the target of 40 resulting in 168%
- Completed 85% of the investigations (841 completed vs 992 initiated) against the target of 80%
- Achieved 31% in the reduction of occupational diseases against the target of 10%
- Fatalities were reduced by 5% compared to a target of 20% per annum

PROGRAMME PERFORMANCE INFORMATION (MHSI)

MINE HEALTH AND SAFETY INSPECTORATE (MHSI)– CHALLENGES

- High occupational diseases
- Continued loss of life due to fatalities
- Recent increase in the number of disaster type accidents

PROGRAMME PERFORMANCE INFORMATION (MHSI)

MINE HEALTH AND SAFETY INSPECTORATE (MHSI)– CORRECTIVE MEASURES

- Finalise of all major accident investigations and inquiries
- Health and Safety Campaigns
- Conducting quarterly health and safety meetings with CEO
- Focused Group Audits
- Code of Practice for workers to refuse dangerous work
- Directives to all mines (both management and union leaders) to encourage all workers to be vigilant during last quarter of the year (silly season)


PROGRAMME PERFORMANCE INFORMATION (MHSI)


MINE HEALTH AND SAFETY INSPECTORATE (MHSI)– CORRECTIVE MEASURES


- Enforcing compliance with health and safety regulations and standards
- Institute withdrawal and/or cancellation of legal appointments and GCC
- Continuous monitoring and enforcement of the directive regarding re-opening of old workings and pillar mining
- Enforcement of leading practices and technologies to prevent accidents due to rail bound equipment, Winches, and trackless mobile machines.

PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 3 – MINERAL REGULATION (MR)
This section may be read in conjunction with pages 33 to 38 of the tabled Annual Report



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PROGRAMME PERFORMANCE INFORMATION


PROGRAMMNE 3 – MINERAL REGULATION (MR)

Purpose

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



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MINERAL REGULATION – HIGHLIGHTS AND ACHIEVEMENTS

ONE ENVIRONMENTAL SYSTEM (OES)

The One Environmental System, in terms of which the Department will implement the National Environmental Management Act, as amended (NEMA), was successfully implemented on 8 December 2014, resulting in the training of 124 officials at a cost of R2 570 472 who are now designated environmental mineral resource inspectors (EMRIs).


FIGHT AGAINST ILLLEGAL MINING

- The DMR has joined other government agencies, including law enforcement agencies, to come up with integrated solutions to stop and manage the illegal mining of chrome around Sekhukhune.
- Operations have been ongoing and heavy-duty machines were seized, including trucks carrying chrome. The drivers/operators were arrested for questioning to enable SAPS Crime Intelligence to get to the real owners or those who hired them. To date, 33 people have been arrested, more than 20 machines have been seized, and some of the cases are subject of a court process.
- The collaboration with law enforcement agencies is not limited to Sekhukhune, but is ongoing in other provinces as well.




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MINERAL REGULATION HIGHLIGHTS & ACHIEVEMENTS

AfriSam Construction of a Science & Computer Lab Umsunduzi Local Municipality (KZN)






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MINERAL REGULATION HIGHLIGHTS & ACHIEVEMENTS

Kumba Iron ore construction of medical staff accommodation & safety centre for abused women
Tsantsabane local municipality (NC)



MINERAL REGULATION HIGHLIGHTS & ACHIEVEMENTS

De Beers construction of science lab Moqhaka local municipality (FS)



MINERAL REGULATION – CHALLENGES

1. Job Creation through mining
2. Adherence to prescribed time frames
3. Environmental complaints closed or referred to competent authorities
4. Enforcement procedures to collect arrear prospecting fees

MINERAL REGULATION – CORRECTIVE MEASURES

1. Improving turnaround times to issue mining rights so that section 11 can be used to create an environment for mining companies to be able to sustain jobs.
2. Licensing committee meetings will be convened at least once a month to promote investment in the country and improve turn around times.
3. Improve the process of engaging with competent authorities.
4. Ensure that revenue collection procedures are aligned with the financial administration branch.

PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 4 – MINERAL POLICY AND PROMOTION (MPP)

This section may be read in conjunction with pages 38 to 50 of the tabled Annual Report

PROGRAMME PERFORMANCE INFORMATION

PROGRAMMNE 4 – MINERAL POLICY AND PROMOTION (MPP)

Purpose

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

MINERAL POLICY AND PROMOTION – HIGHLIGHTS AND ACHIEVEMENTS

Strategic Objective: Facilitate transformation in the sector

- MPRDA Bill – the Select Committee and provincial legislatures have finalised public participation on the Bill with DMR in support. Provincial legislatures are expected to submit negotiating mandates in November 2017.
- The Mining Company of South Africa (MINCOSA) Bill was gazetted for public comments in early 2016 and all comments were considered. It is envisaged the Bill will be introduced to Parliament before end of 2017/18 subsequent to completion of the AEMFC hive off process.
- The Mining Charter, 2017 was gazetted on 15 June 2017, following rigorous consultations with stakeholders.

MINERAL POLICY AND PROMOTION – HIGHLIGHTS AND ACHIEVEMENTS

Strategic Objective: Promote investment in the Mining Sector

- Provided support for Small, Medium and Micro Enterprises (SMMEs) - 103 supported.
- Implementation of the Oceans Phakisa national plan:
 - The IOPC Fund has been operationalised
 - The Incident Management Organisation has been established and endorsed by the IMC
 - The South African Marine Research Forum has been established to exploit broader research opportunities resulting from offshore Oil and Gas exploration.
- Implementation of the shale gas action plan – 3 Izimbizo were held (Eastern Cape, Northern Cape and Western Cape); CGS in collaboration with PASA, are conducting research to evaluate the extent of shale gas, including an investigation into the occurrence of near-surface hydrocarbon. Various communication tools have been developed to assist in communicating and promoting shale gas development.

MINERAL POLICY AND PROMOTION – HIGHLIGHTS AND ACHIEVEMENTS

Strategic Objective: Promote investment in the Mining Sector

- **Continuation of promotional activities** e.g. 23 Reports and Publications; Conferences (Africa Down Under, China Mining, Diamond Indaba, Mining Indaba, Prospectors Developers Association of Canada, etc).
- **Strategic and technical partnerships established**, e.g. bilateral agreements with Nigeria, Lesotho, CAR, Angola, Russia, Japan and China.

Strategic Objective: Promote sustainable resource use and management

- A Departmental Environmental Plan was reviewed.
- 4 reports developed on mine closure and derelict and ownerless mines
- 45 derelict and ownerless sites were rehabilitated.
- 5 technical partnerships implemented.

MINERAL POLICY AND PROMOTION – CHALLENGES

The following measures were not achieved:

- Number of legislative instruments reviewed and/or amended – The Mining Charter could not be concluded during the 2016/17 financial year.
- Implementation of mining Operation Phakisa initiatives - The DMR was unable to implement the Operation Phakisa initiatives due to the outstanding report from the DPME. This report is supposed to come up with recommendations which DMR will then implement.
- Percentage implementation of risk management plans – some action plans could not be implemented due to capacity challenges.

MINERAL POLICY AND PROMOTION – CORRECTIVE MEASURES

- As indicated above the Mining Charter was gazetted in June 2017.
- The Operation Phakisa initiatives will be implemented as soon as the report is received. DMR is currently engaging the DPME.
- Outstanding risk action plans will be actioned and finalised during the current financial year.

Department of Mineral Resources



Thank You

