

## **Budgetary Review and Recommendations Report of the Portfolio Committee on Mineral Resources and Energy Dated 20 October 2022**

The Portfolio Committee on Mineral Resources and Energy, having considered the performance and submission to National Treasury for the Medium Term period of the Department of Mineral Resources and Energy, reports as follows:

### **1. INTRODUCTION**

The Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department.

In October of each year, Portfolio Committees must compile Budgetary Review and Recommendation Reports (BRRR) that assess service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources. The BRRR are also source documents for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

#### **1.1. Mandate of the Portfolio Committee on Mineral Resources and Energy**

In terms of the Constitution of the Republic of South Africa, 1996 (the Constitution), Portfolio Committees have a mandate to legislate, conduct oversight over the Executive and facilitate public participation. The Portfolio Committee on Mineral Resources and Energy mandate is governed by Parliament's mission and vision statements, the rules of Parliament and its Constitutional obligations.

The mission of the Portfolio Committee is to contribute to the realisation of a developmental state and ensure effective service delivery through discharging its responsibility as a Portfolio Committee of Parliament. Its vision includes enhancing and developing the capacity of Committee Members in the exercise of effective oversight over the Executive Authority. One of the Committee's core objectives is to oversee, scrutinise and influence the action of the Executive and its agencies. This implies holding the Executive and related entities accountable through oversight of objectives of its programmes, scrutinising its budget and expenditure (annually), and recommending through Parliament actions it should take in order to attain its strategic goals and contribute to service delivery.

The committee, in undertaking the process of compiling this report, considered the following source documents and engagements:

- Annual Report briefings, in terms of Section 65 of the Public Finance Management Act, No. 1 of 1999, which requires that Ministers table the annual reports and financial statements for the Department and public entities to Parliament - briefings on 11 and 13 October 2022
- Briefing by the Auditor-General of South Africa (AGSA) on the audit outcomes of the Department of Mineral Resources and Energy and the entities reporting to it – briefing on 11 October 2022.

#### **1.2. The Mandate of the Department of Mineral Resources and Energy and its entities**

This section provides a synopsis of the mandate of the Department and its eleven entities.

The overarching purpose of the Department of Mineral Resources and Energy (DMRE) is to ensure that diverse resources are available in sustainable quantities and at affordable prices for the growth of the South African economy. In line with the National Development Plan (NDP), the Department contributes to the fight against poverty, unemployment, and inequity while taking into account environmental concerns and obligations. The Department's vision is to be a leader in the transformation of South Africa through economic growth and sustainable development in the mining and energy sectors. Its mission to regulate, transform and promote the minerals and energy sectors, providing sustainable and affordable energy for growth and development, and ensuring that all South Africans derive sustainable benefit from the country's mineral wealth

The Department execute its mandate through the following entities:

### **1.2.1 Council for Mineral Technology Research (MINTEK)**

Established in terms of the Mineral Technology Act, Act No. 30 of 1989, MINTEK, also a Science Council, is mandated to provide research, development and technology that foster the development of businesses in the mineral and mineral products industries.

### **1.2.2 Mine Health and Safety Council (MHSC)**

Established in terms of section 42(1) of the Mine Health and Safety Act, Act No. 29 of 1996, MHSC provides a research and advisory function to the Minister in terms of mine health and safety, as well as promoting a culture of health and safety in the mining industry.

### **1.2.3 State Diamond Trader (SDT)**

The mandate of the State Diamond Trader is to buy and sell rough diamonds and to promote equitable access to and beneficiation of the country's diamond resources. The entity aims to grow South Africa's diamond cutting and polishing industry by enabling and increasing participation of Historically Disadvantaged South Africans (HDSAs) in the diamond beneficiation industry. The entity is eligible to purchase up to 10% of the run-of-mine (ROM) production from all diamond producers in South Africa. It sells to registered customers through an application and approval process. The State Diamond Trader is a Schedule 3B entity in terms of the PFMA, as amended.

### **1.2.4 South African Diamond and Precious Metals Regulator (SADPMR)**

Established in terms of the Diamond Act, 1986, as amended, and the Precious Metals Act, Act No. 37 of 2005, the SADPMR ensures competitiveness, sustainable development and job creation in the diamond and precious metals industry, transformation, equitable access to resources for local beneficiation and ensures industry compliance with legislation.

### **1.2.5 Council for Geoscience (CGS)**

Established in terms of the Geoscience Act, Act No. 100 of 1993, CGS gathers, compiles, develops, and publishes world-class geoscience data, knowledge and products, and renders geo-science related services to the South African public and industry.

### **1.2.6 National Nuclear Regulator (NNR)**

The purpose of the NNR, as outlined in section 5 of the National Nuclear Regulator Act 1999 is to essentially provide for the protection of persons, property and the environment against nuclear damage through the establishment of safety standards and regulatory practices.

### **1.2.7 National Radioactive Waste Disposal Institute (NRWDI)**

The key strategic thrust of NRWDI is to execute its legislative mandate with regard to the long-term management and disposal of radioactive waste in a technically sound, socially acceptable, environmentally responsible and economically feasible manner, which is an apex priority for Government and the Department to ensure that no undue burden is placed on current and future generations due to the country's past, present and future involvement in nuclear science and technology applications.

### **1.2.8 South African National Energy Development Institute (SANEDI)**

SANEDI's functions, as outlined in section 7(2) of the National Energy Act, are to: - direct, monitor and conduct applied energy research and development, demonstration and deployment as well as undertake specific measures to promote Energy Efficiency (EE) throughout the economy; and - establish a nationally focused energy research, development and innovation sector and undertake EE measures with a strong relevance for South Africa.

### **1.2.9 South African Nuclear Energy Corporation (Necsa)**

NECSA's functions, as outlined in section 13 of the National Energy Act, are to: - undertake and promote research on nuclear energy, radiation sciences and technology; - process source, special nuclear and restricted material including uranium enrichment; and - collaborate with other entities.

### **1.2.10 The Central Energy Fund (CEF) Group of Companies (SOC) Ltd**

CEF (SOC) Ltd is involved in the search for appropriate energy solutions to meet the future energy needs of South Africa, the Southern African Development Community and the sub-Saharan African region, including oil, gas, electrical power, solar energy, low smoke fuels, biomass, wind and renewable energy sources. CEF also manages the operation and development of the oil and gas assets of the South African Government.

### **1.2.11 National Energy Regulator of South Africa (NERSA)**

The purpose of NERSA, as effectively outlined in section 4 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004), is to regulate the electricity, piped-gas and petroleum pipeline industries within the Republic of South Africa in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), the Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

## **1.3. Purpose of the BRR Report**

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend money bills before Parliament. This constitutional provision gave birth to the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 (the Act), which sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department.

Section 5 of the Act, states that the National Assembly (NA), through its Committees, must annually assess the performance of each national department with reference to the following:

- The medium term estimates of expenditure of each national department, its strategic priorities and measurable objectives, as tabled in the NA with the national budget;
- Prevailing strategic plans;
- The expenditure report relating to such department published by the National Treasury in terms of section 32 reports of the Public Finance Management Act, No 1 of 1999 (PFMA), as amended in 2009;
- The financial statements and annual report of such department;
- The report of the Committee on Public Accounts relating to the department; and
- Any other information requested by or presented to a House or Parliament.

Committees must submit the BRRR annually to the NA. The BRRR assesses the effectiveness and efficiency of a department's use and forward allocation of available resources and may include recommendation on the use of resources in the medium term.

Committees must submit the BRRR after the adoption of the budget and before the adoption of the reports on the Medium Term Budget Policy Statement (MTBPS) by the respective Houses in November of each year.

The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls vis-à-vis the Department's operational efficiency and performance. This is done taking into consideration the fact that the Department has oversight responsibilities over eleven entities.

## **1.4. Method followed by the Committee in writing the BRR Report**

The Committee has scrutinized and interrogated all available documents as outlined in Section 5 of the Money Bills Amendment Procedure and Related Matters Act. The Committee has assessed the performance of the Department in the 2021/22 financial year. The Portfolio Committee on Mineral Resources and Energy (PCMRE) held a meeting on the 2021/22 Annual Report of the Department and its entities on 11 and 13 October 2022, respectively, which was addressed by the Senior Leadership of the DMRE. The office of the Auditor General of South Africa (AGSA) gave input during the BRRR process.

## 2. OVERVIEW OF THE PERFORMANCE OF THE DMRE, 2021/22

This section analyses the overall performance of the Department for the 2021/22 financial year.

### 2.1 OVERALL FINANCIAL PERFORMANCE OF THE DEPARTMENT

For the 2021/22 financial year, the Department had an allocated total budget of R9.2 billion<sup>1</sup>. By the end of the year under review, the Department had spent R8.9 billion or 96 percent of the total allocated budget<sup>2</sup>. In the previous financial year, the Department spent R7.1 billion, or 95 percent of the allocated R7.5 billion<sup>3</sup>. A large portion of the Department's budget is for transfers and subsidies. As a result, about 79 percent of the R8.9 billion spent in the 2021/22 financial year was under the Transfers and subsidies economic classification and was transferred to implementing agents, mainly for the implementation of electrification projects, and to public entities for the entities' operational expenditure<sup>4</sup>.

Table 1 below depicts the budget allocated and expenditure of the DMRE or Vote 34 for the 2021/22 financial year:

**Table 1: Overall Budget for the Department for 2021/22 Financial Year**

Programme	Final Appropriation	Actual Spending		Variance
	R'000	R'000	%	R'000
Administration	661,812	562,544	85%	99,268
Minerals & Petroleum Regulation	537,462	526,858	98%	10,604
Mining, Minerals & Energy Policy Development	792,832	768,722	97%	24,110
Mine Health & Safety Inspectorate	233,117	205,351	88 .1%	27,766
Mineral & Energy Resources Programmes & Projects	5,881,640	5,716,621	97,2%	165,019
Nuclear Energy Regulation & Management	1,134,601	1,123,441	99%	11,160
<b>Total</b>	<b>9,241,464</b>	<b>8,903,537</b>	<b>96,3%</b>	<b>337,927</b>

**Source: Department of Mineral Resources and Energy, (2021)**

In terms of budget performance, underspending has improved, albeit insignificant when compared to the previous financial year. The underspending of R337.9 million is explained below, as contained in the Annual Report.

#### 2.1. Programme 1: Administration

The Programme spent 85 percent of its allocated budget of R661.81 million for the 2021/22 financial year. The programme incurred an under-expenditure of R99.27 million mainly on the goods and services economic classification due to lower payment arrangements made with the Department of Public Works and Infrastructure (DPWI) pending the resolution of a dispute lodged by the Department in relation to the Head Office (Matimba) office accommodation lease and delays in finalising procurement processes on Information Communication Technology (ICT) services for software licenses, maintenance / support, and upgrade of systems. Savings were also achieved on several items, significantly on travel and subsistence due to the reduced number of official trips attributable to the impact of the COVID-19 pandemic. Spending on compensation of employees and machinery and equipment were also lower than anticipated

<sup>1</sup> Department of Mineral Resources and Energy, (2021)

<sup>2</sup> Ibid

<sup>3</sup> Department of Miner Resources and Energy, (2020)

<sup>4</sup> Department of Miner Resources and Energy, (2021)

owing to unfilled funded vacancies as well as delayed delivery of procured office equipment (laptops) and email servers.

## **2.2. Programme 2: Minerals and Petroleum Regulation**

The Programme spent 98.03 percent of its R537.46 million budget for the 2021/22 financial year, resulting in a budget underspending of R10.60 million. The underspending was mainly on goods and services, consultancy item, due to delays in appointing service providers to design and develop a monitoring, evaluation, and reporting system for transformation in the Petroleum and Liquid Fuels sector, and compliance to the Broad-Based Black Economic Empowerment (BBBEE) policy framework and late receipt of invoices for the Sampling and Testing of Petroleum Products project. A transfer to African Petroleum Producers Association (APPO) for international membership fees was not transferred as planned due to the late receipt of the invoice from the multinational organisation. Underspending was also recorded in compensation of employees due to unfilled vacant positions.

## **2.3. Programme 3: Mining, Minerals and Energy Policy Development**

The Programme spent 96.96 percent of its R792.83 million budget for the 2021/22 financial year. The underspending of R24.11 million was mainly on goods and services under the consultancy item due to delays in finalising procurement processes for the provision and distribution of mining related on-line statistical journals and the design and construction of the exhibition stand for the South African pavilion at the 2022 Mining Indaba conference. Savings were also achieved from several items such as travel and subsistence, venues and facilities and operating payments due to less official trips than projected because of the impact of the pandemic as well as delayed conferences and public consultations which were only hosted during the last month of the financial year. Expenditure on compensation of employees was also lower than anticipated due to vacant posts that were not filled during the financial year.

Notwithstanding the underspending of R24.11 million, the Programme reflected an overspending of R7.79 million under the transfer payments classification due to an international membership fee paid to the African Diamond Producers Association (ADPA) and funded under the goods and services classification but classified as transfer payments in terms of the SCOA classification.

## **2.4. Programme 4: Mine Health and Safety Inspectorate**

The Programme spent 88.09 percent of its allocated budget of R233.12 million for the 2021/22 financial year, resulting in a budget underspending of R27.77 million. The underspending was mainly on compensation of employees attributable to vacancies that were not filled and savings from items such as legal services and contractors attributable to lower number of enquiries into mine accidents / disasters than anticipated and office consumables / supplies due to remote working.

## **2.5. Programme 5: Mineral and Energy Resources Programmes and Projects**

The Programme spent 97.19 percent of its R5.88 billion budget for the 2021/22 financial year. The budget underspending of R165.02 million was mainly on transfers and subsidies with an underspending of R269.83 million due to a post year-end adjustment, reclassifying expenditure on non-grid electrification projects from the transfers and subsidies category to the goods and services category in compliance to Treasury Classification Circular of 2018. As a result, the transfers and subsidies classification was underspent while a budget overspending was recorded under the goods and service classification as the matching budget adjustment could not be processed.

Notwithstanding the impact of this post year-end adjustment, anticipated expenditure on consultancy / agency outsourced services was lower than anticipated attributable to a number of delayed projects, namely, the development of an Electrification Master Plan project which was delayed by the procurement process which took longer than anticipated, Energy Efficiency and Demand Side Management (EEDSM) Monitoring and verification and Non-Grid Electrification oversight, monitoring, and verification projects. Significant savings were achieved on travel and subsistence item due to a lower number of official trips than planned. The full

implementation of the 2021/22 off-grid electrification connections plan was not achieved due to late commencement of some projects and delayed submission of invoices by other service providers resulting in a budget underspending under the non-grid electrification programme.

## 2.6. Programme 6: Nuclear Energy Regulation and Management

The Programme spent 99.02 percent of its R1.13 billion budget for the 2021/22 financial year resulting in a budget underspending of R11.16 million mainly on goods and services under the consultancy item due to projects which were not implemented as planned owing to the delayed finalisation of Terms of Reference (ToRs). Savings were realised on international membership fees due to favourable exchange rates.

## 3. NON-FINANCIAL PERFORMANCE OF THE DEPARTMENT

As indicated in the preceding section, the Department has six programme areas. Each programme has sub-programmes within it. The financial performance of the programmes had been discussed in the previous section, thus, this section contrasts what the Department had planned to achieve (non-financial outcomes) against what it has actually achieved.

**Table 2: Overall Performance of the Department for 2021/22 Financial year**

Programme	Total Targets	Achieved Targets	Not Achieved Targets
Administration	14	11 (79%)	3
Minerals & Petroleum Regulation	12	10 (83%)	2
Mining, Mineral & Energy Policy Development	29	21 (72%)	8
Mine Health & Safety Inspectorate	6	3 (50%)	3
Programme & Projects Management	13	8 (62%)	5
Nuclear Energy	7	5 (71%)	2
<b>Total</b>	<b>81</b>	<b>58 (72%)</b>	<b>23 (28%)</b>

Source: Department of Mineral Resources and Energy Annual Report, (2021/22)

As can be seen in Table 2 above, the Department had set itself 81 performance targets for the 2021/22 financial year. Of the total performance targets, the Department achieved 58 or 72 percent, and fell short by 23 or 28 percent. The Committee should note that the Department spent 96% of its allocated budget whilst it only achieved 72% of its performance targets for the year under review. There should be a correlation between the budget spent and the targets achieved. When compared to the previous financial year, there is significance improvement in the performance of the Department. Whilst this achievement is below the National Treasury benchmark of 80 percent for the National Departments, it is however commendable. In the previous financial year, the Department had set itself 70 targets, and it achieved 43 or 61 percent.

As depicted in the table above, all programmes achieved over 50 percent in their target performance, with the exception of Programme 5: Mine Health and Safety Inspectorate which achieved 50 percent of its performance targets. Explanations of the targets that were not achieved is provided below, per programme.

The **Administration Programme** achieved 79 percent of its planned targets, a regression when compared to the 92 percent achieved in the previous financial year. The targets not achieved in this programme during the year under review included the following:

- The Department had planned to eliminate 100 percent of Wasteful and fruitless expenditure compared to previous financial year. However, the department recorded

wasteful and fruitless expenditure. It cited that this had occurred due to unavoidable expenditure incurred.

- It had also planned a 100 percent reduction of irregular expenditure compared to prior year. Irregular expenditure was incurred and the Department states that this was due to non-compliance to Supply Chain Management (SCM) processes.
- The Department did not meet its target of having 100 percent approved invoices from service providers paid within 30 days. According to the Department this happened because its Branches (programmes) did not comply with the set timelines of three (3) days to return invoices for payment procedures.

The **Programme 2: Minerals and Petroleum Regulation Programme** achieved 83 percent of its set targets, a significant improvement from its dismal performance in the previous financial year, an achievement of 29 percent. It must be noted from the onset that, the Auditor General of South Africa (AGSA) questioned most of the targets reported as achieved in this programme. This issue will be discussed under the AGSA in section 4 below.

The targets not achieved during the year under review included the fact that of the planned 500 mining economics inspections, 401 inspections were conducted. The Department cited that the reason for the deviance is that the programme had two vacant positions in Gauteng and North West provinces. However, both positions have since been filled. Another target that was not achieved relates to the Petroleum Retail Site compliance inspections. Of the 1 500 planned inspections, 1 317 were achieved. The Department states that reasons for non-achievement of the target was due to COVID-19 pandemic travel restrictions in quarter 1 and quarter 2 and the July unrest in Durban. Moreover, another reason cited was the vacant inspector positions in KwaZulu Natal (KZN) and the Western Cape (WC).

**Programme 3: Mining, Mineral and Energy Policy Development Programme** achieved 72 percent of its planned performance targets. This is an improvement from 67 percent achieved in the previous financial year. The eight (8) targets **not** achieved are as follows:

- The Department had planned to table the Mine Health and Safety Bill in Parliament. According to the Department, the reason for the deviance was that the public consultations conducted in 2013 were required to be redone due to lapse of time and changes in the operating environment. Subsequently, the Department committed that it would submit the Bill to Cabinet during the first quarter of 2022/23 financial year for approval in Parliament.
- The Draft National Petroleum Company Bill which was meant to be developed and submitted to Cabinet for approval was not approved as envisaged. The Department cites that there was a delay in finalising the proposed archetype for the merger that would house the National Petroleum Company Bill which has to be approved by Cabinet first.
- The Department had committed to have the Beneficiation Master Plan approved by Cabinet. The Master Plan was not approved because of the delays in the stakeholder consultation due to lack of consensus regarding pillars of the framework. The submission of the Master Plan was then deferred to the first quarter of 2022/23.
- The National Nuclear Regulator Amendment Bill was meant to be submitted to Cabinet for tabling in Parliament for promulgation. This did not happen because of the delays in the stakeholder consultation due to lack of consensus regarding nuclear security matters. This target was moved to the first quarter of 2022/23 financial year.
- Similar to the above, the Radioactive Waste Management Fund Bill was due to be submitted to Cabinet for tabling in Parliament for promulgation. The Department states that Ministerial Cluster recommended that the bill should be redrafted. The redrafted Bill was approved for publishing for public comments by Cabinet in March 2022.
- The Department had committed to submit the Gas Master Plan to Cabinet. According to the Department, there was a delay due to a request from the stakeholders to afford more time to comment on Draft Gas Master Plan.
- The National Energy Regulator Amendment (NERA) Bill was due for submission to Cabinet, however this did not happen because allocated resources were reprioritised to focus on the Electricity Pricing Policy.

- Of the eight (8) planned quality mineral publications, four (4) were produced. The Department cites the non-subscriptions for South African Mining Industry (SAMI), ME Bulletin research articles and other research publications as reasons for the deviation.

**Programme 4: Mine Health and Safety Inspectorate Programme** achieved 50 percent of its planned performance targets, a regression from the 67 percent achieved in the previous financial year. The targets that were not achieved were as follows:

- The Department had planned for a 10 percent reduction in occupational fatalities. The Department achieved 5 percent. There were 68 fatalities from April 2021 to March 2022 compared to 59 fatalities in the same period of the previous financial year. The reason cited for the deviation is the depletion of ore reserves leading to mining of high risk, ultra-deep and unsafe working places which led to multiple fatalities in one accident.
- The Department had committed to reduce occupational injuries by 5 percent. However, the Department deviated from the target by 13 percent. There were 2 127 injuries from April 2021 to March 2022 compared to 1 802 injuries in the same period of the previous financial year. The reason cited for the deviation is the same as on the occupational fatalities.
- The 10 percent planned reduction in occupational diseases was not achieved, instead a deviation from the target by 7 percent was recorded. During April 2021-March 2022, a total of 1 403 occupational diseases were reported compared to 1 197 cases reported during the same period in the previous year.

**Programme 5: Mineral and Energy Resources Programmes and Projects** achieved 62 percent of the planned performance targets, an improvement from 45 percent achieved in the previous financial year. Key targets not achieved are follows:

- The target of procuring 6 800 megawatts (MW) from renewable energy of additional power generation capacity in line with the 11 813 MW section 34 Ministerial determination did not materialise. According to the Department, the reason for the deviation is that the issuing of Request for Proposals (RFP) for Bid Window 6 was delayed due to additional due diligence requirement and approval of bid documents by the designated buyer. Moreover, RFP for bid window 7 was delayed to allow for completion of Bid Window 6 processes.
- The issuing of the RFP for 3 000 MW from gas did not happen as planned. The Department cites that it was decided that the issuing of the RFP for gas to power would only follow once the process to develop the gas infrastructure at Coega was finalised.
- The issuing of the RFP for 1 500 MW from coal was also not achieved. Given the current trend on investments in fossil fuels, the Department opted to undertake market review on investment appetite on coal fired power generation prior to issuing the RFP.
- Issuing of the RFP for 513 MW from storage was not done as planned. The Department states that RFP was delayed to allow for completion of Bid Window 6 processes.
- The Renewable Energy Sector Master Plan Report was not processed, signed off and approved as planned. Instead, the Department states that Report was still under review and consideration by the steering committee consisting of the Department and social partners.

**Programme 6: Nuclear Energy Programme** achieved 71 percent of the planned targets, a regression from 83 percent in the previous financial year. The two targets not achieved were as follows:

- The Department had planned to complete and submit feasibility study on Multi-Purpose Reactor (MPR) for gateway review. According to the Department, the Gateway Review of the Pre-Feasibility Study was completed in September 2021 and the first draft for Feasibility study will be completed by end of 2022/23 financial year.
- The Feasibility Report for the establishment of the Centralised Interim Storage Facility (CISF) was not submitted to Cabinet for approval as planned. The reasons for the deviation as cited by the Department are the challenges experienced during the feasibility phase due to the National Radioactive Waste Disposal Institute's (NRWDI) resource constraints.

#### 4. AUDITOR-GENERAL'S REPORT ON THE DMRE AND ITS ENTITIES



#### 4.1. Overview

The overall outcomes in the portfolio have improved when looking at the four years of the administration, with half of the auditees receiving unqualified audit opinions with no findings on compliance with key legislation and predetermined objectives (clean audit). CGS, NERSA, NNR, NRWDI, SANEDI and SDT have achieved an unqualified audit opinion with no findings (clean) in the current audit cycle, this is a significant improvement.

The CEF Group, Mintek and the MHSC have received financially unqualified audit opinions with findings on compliance with legislation for the past four years due to failure to provide credible annual financial statements for audit purposes, that are subsequently adjusted from the audit process. The prevalent instances of non-compliance were found in the areas of material misstatements identified in the financial statements submitted for auditing; expenditure management; consequence management and revenue management.

The NECSA Group's audit outcome has remained unchanged in the four years of administration, as it has received a disclaimer audit opinion with findings on the annual financial statements and material findings on performance information and compliance with laws and regulations. The disclaimer also includes a limitation of scope on going concern as a result of the unreliability of the information on which the entity's forecasts are made. According to the AGSA, the stagnation is as a result of slow responses by management and failure to implement some of the audit recommendations.

In most instances, findings raised were reported to be reoccurring, an indication that audit action plans and a culture of accountability were not exercised effectively.

#### 4.2. Details of the Audit Outcomes

As presented by the AGSA, seventy-five percent (75%) of the portfolio had no material findings on performance information. The AGSA commended the SDT, SADPMR, CGS, SDT, Mintek, NRWDI and SANEDI for submitting performance reports without material errors. Material findings were identified at the DMRE, CEF, MHSC, NECSA, NERSA and NNR. The MHSC, NERSA and the NNR subsequently corrected their performance reports through the audit process.

##### 4.2.1 Material irregularities

*Material irregularities identified during current year audit, included:*

- **DMRE:** Storage costs incurred on solar water heating programme
  - Material Irregularity (MI) notification was issued to the Accounting Officer on 29 July 2022. The Department experienced delays in the finalising of the solar water heating programme, which resulted in the Department incurring additional storage fees as they did not take custody of the manufactured units from the suppliers as per the stipulated contractual agreements.

##### **Material financial loss:**

The Department paid a total of R310 075 097, 44 as at 31 March 2022 in storage cost to the suppliers of which R110 800 660.78 was paid after 1 April 2019, that has been classified as fruitless and wasteful expenditure. Subsequent to year end, the Department incurred R5 648 141 in additional storage costs.

Responses to the MI were due to be received on 29 August 2022 however an extension was requested and granted until 15 September 2022 and the Department submitted responses on the agreed date. According to the AGSA, the assessment of the responses is underway and has not been finalised by the audit team.

The AGSA highlighted the following:

- Key personnel that were involved in the project of solar water heaters are no longer employed by the Department.
- The Department is still incurring storage cost.

##### 4.2.2 Financial Health risk

NECSA obtained a disclaimer of opinion that included modification on significant doubt in the entities ability to continue operating as a going concern in foreseeable future.

Debt collection period of the DMRE and SANEDI is high as it is over 90 days and the average collection period for the portfolio is 92 days which is high. The impact of high debt collection period is that debt is likely to be irrecoverable and this was confirmed by high impairment of debt at the DMRE, NNR and SADPMR.

Average creditors payment period of the portfolio is 45 days which is more than the 30 days period that government is adhering to. This has an impact on the sustainability of small and medium enterprises that conduct business with the government.

##### 4.2.3 Irregular expenditure analysis

During the year under review, auditees incurred irregular expenditure amounting to R247.7 million, which was disclosed in the financial statements. The analysis of irregular expenditure showed that irregular expenditure decreased by 61% compared to the prior year. The top four (4) contributors (R1,66 billion) to closing irregular expenditure constituted 95% of R1,74 billion. These included:

- CEF – R1,1 billion
- DMRE – R288 million
- NECSA – R222 million
- Mintek – R37 million

The AGSA pointed out that consequence management remains a challenge as there is still lack of investigations in some of the entities (DMRE, CEF, AEMFC and Mintek) leading to inadequate disciplinary actions being taken against staff who has caused irregular expenditure.

#### **4.2.4 Fruitless and Wasteful expenditure**

Significant improvement were noted in the annual fruitless and wasteful expenditure (FEW) for the portfolio. From the first year of administration to the current year, FWE has decreased by 96% as compared to the prior year, annual FWE incurred has decreased significantly by 90%.

The main contributors to the fruitless and wasteful expenditure included: DMRE (R3,9 million) and CEF (R1,2 million).

#### **4.2.5 Overall root causes of significant findings in portfolio**

- Management did not implement adequate review and monitoring controls over the preparation of the annual financial statements.
- Internal audit did not provide sufficient time to review the Annual Financial Statements (AFS) before they were submitted for audit purposes
- As stated above, in most instances, findings raised were reoccurring, indicating that audit action plans and a culture of accountability were not exercised effectively.

### **5. ENTITIES REPORTING TO THE DEPARTMENT**

As stated above, eleven (11) State-Owned Entities (SOEs) contribute to and implement the objectives of the Department. This section provides a brief summary of the DMRE entities.

#### **5.1 National Energy Regulator of South Africa (NERSA)**

##### **5.1.1 Non-Financial Performance**

As stated above, NERSA received a clean audit. The Regulator achieved 90% of its annual performance targets. This signifies an overall increase of 1% in the performance when compared to the overall performance in 2020/21.

The above achievement was broken down as follows:

- Regulation of the electricity industry: 84%. This signifies a 9% decrease in the performance when compared to 2020/21, where 93% of the planned targets were met.
- Regulation of the piped-gas industry: 100%. This signifies an 8% increase in performance when compared to 2020/21, where 92% of the planned targets were met.
- Regulation of the petroleum pipelines industry: 100%. This signifies a 12% increase in performance when compared to 2020/21, where 88% of the planned targets were met.
- Transversal regulatory: 75%. This performance is at the same level when compared to 2020/21, where 75% of the planned targets were also met.
- Organisational: 88%. This signifies an increase of 8% in performance when compared to 2020/21, where 80% of the planned targets were met.

According to NERSA, the overall improvement in this reporting period was due to the fact that all the measures that were put in place in 2020, to deal with the impact of the restrictions due to the COVID-19 pandemic, had been implemented successfully. This enabled NERSA to continue with its day to day and regulatory activities as normal as possible. The decrease in the performance in electricity regulation was due external factors, such as timely submission of applications and reports from licensees or dependencies on other key roles players for progressing with key targets.

**Table 3: Overall Performance against planned outputs and targets**

REGULATED INDUSTRIES AND OTHER FOCUS AREAS	PLANNED ANNUAL TARGETS	ANNUAL TARGETS MET	REASONS FOR ANNUAL TARGETS NOT MET	
			External Dependencies	Internal factors

	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
Electricity	28	31	26 (93%)	26 (84%)	1 (4%)	5 (16%)	1 (4%)	0 (0%)
Piped-Gas	24	19	22 (92%)	19 (100%)	1 (8%)	0 (0%)	0 (0%)	0 (0%)
Petroleum Pipelines	17	13	15 (88%)	13 (100%)	2 (12%)	0 (0%)	0 (0%)	0 (0%)
Transversal Regulatory	4	4	3 (75%)	3 (75%)	0 (0%)	0 (0%)	1 (25%)	1 (25%)
Organisational	15	16	12 (80%)	14 (88%)	2 (13%)	0 (0%)	1 (7%)	2 (13%)
<b>TOTAL</b>	<b>88</b>	<b>83</b>	<b>78 (89%)</b>	<b>75/83 90%</b>	<b>7 (8%)</b>	<b>5 (6%)</b>	<b>3 (3%)</b>	<b>3 (4%)</b>

Source: Presentation to the PCMRE on 11 October 2022

### 5.1.2 Financial Performance

#### 1. Revenue Performance

- a) Volumes reported for the year ending 31 March 2022 in all three regulated energy industries came in above estimates, as economic activity picked up with the easing of lockdown and travel restrictions:
  - Electricity volumes were 4.7% above Budget
  - Piped-gas volumes were 3.4% above Budget and
  - Petroleum pipelines were at 6.9% above Budget.
- b) The improvement in volumes contributed to an over recovery in revenue from levies and license fees by 3.1%.

#### 2. Operating Expenditure

- a) Operating expenditure for the year ending 31 March 2022 was 30% lower than the budgeted expenditure due to the continued remote working and online engagements throughout the year which resulted in a significant reduction in travel and meeting costs.

#### 3. Operating Deficit

- a) NERSA reported a deficit of R 3.25 million against a budgeted deficit of R 49.2 million. The budgeted deficit is funded from accumulated surpluses from previous financial years. This enables the reduction of the funding requirement for NERSA when determining the levy rates and license fee

NERSA reported that it was in a stable financial position as at 31 March 2022, with a positive net asset value of R290 million. This was mainly due to cash reserves of R208 million included in current assets and a significant portion of it is placed with the Corporation for Public Deposits at the SARB.

## 5.2 National Nuclear Regulator (NNR)

### 5.2.1 Non-Financial Performance

The NNR operating environment was stable as the country's economy was in the recovery process from COVID – 19 strain. The core business such as inspections and site visits to regulated facilities were conducted as planned. The Regulator was also able to process the reviews and assessments of various applications and change requests from operators as per the annual performance plan. The public engagement sessions for the Nuclear Installation Site License (NISL) project in Thyspunt were successfully concluded during 2021/22. The NNR continued to work on a hybrid system to manage the spread of COVID-19 disease i.e., 3 days in the office and 2 days work from home. The Regulator continued with the payment of suppliers and vendors below 10 days.

SA National Accreditation System (SANAS) reviewed the laboratory quality manuals as part of the accreditation assessment for the Gamma Spectrometry: Water Matrices. The NNR planned 199 inspections across the 3 programmes and 204 inspections were conducted. Additional 166 reviews and assessments were undertaken; this can be attributed to improvements in turnaround times. The development of the compliance assurance programme process was reviewed to ensure alignment. The NNR developed the Indoor Radon Regulatory Framework which contains practical approaches for South Africa to effectively control the indoor radon with the aim to reduce public exposure. The framework will be finalised in 2022-23 financial year.

To ensure an effective Long Term Oversight (LTO) oversight, NNR employees were trained on various areas such as

- ✓ Regulatory frameworks applicable to the LTO
- ✓ U.S. National Nuclear Commission renewal standard and practices
- ✓ Eskom documentation applicable to the LTO
- ✓ Technical assessment guides

A Centre for Nuclear Safety and Security (CNSS) Sustainability Strategy was developed to crystalize the sustainability objectives and to incorporate pilot projects and proposals that are aligned to the mandate of the CNSS.

The Cape Town office Construction project plan was revised to mitigate the delays experienced in the prior year to make way for the construction of the site office in 2022-23.

### **5.2.2 Financial Performance**

The NNR's cash balances for the year increased to R142 million due reserves build up the provide for Cape Town office construction. R28 million of receivables were impaired in line with the accounting policy but efforts to collect continues where there are prospects for success and legally permissible.

With regards to current liabilities, the spike in provisions was related performance incentives in line with the policy, the pay-out was however implemented at R20 million as approved by Board with due consideration to other priorities such as construction of Cape Town office which is underway. The financial liability represents the liability on Centurion office outstanding liability at year end.

The other financial liability the reduce to Nil during the year under review relates to the Bond for Centurion Head Quarter building the was subsequently settled in June 2022. The rest of liabilities are stable and provided for where applicable.

The NNR's revenue has been growing at a modest rate over the Medium Term Expenditure Framework (MTEF) period. The 2021/22 financial year total revenue of R291 million is equivalent to 3.5% increase compared to R281 million reported in the previous financial year. Authorisation fees declined by 1.3% from the previous year mainly due to reduction in number of licensees and lower annual increase for the year under review as approved by the Minister

Compensation of employees increase by about 16% from the previous financial year, 12% of this is performance incentive paid while the remaining 4% is the marginal increase of salaries through cost of living adjustments and additional positions filled. Expenditure on goods and services increased by about 13% as the operations gain momentum from COVID-19 constrains. With regards to Audit outcomes, NNR receive unqualified audit opinion with no findings.

## **5.3. National Radioactive Waste Disposal Institute (NRWDI)**

### **5.3.1. Non-financial performance**

For the period under review, the NRWDI achieved ninety percent (90%), i.e. 9 of 10 of its targets.

**Table 4: Annual Performance report (actual performance against targets)  
PROGRAMME 1**

OUTPUT INDICATORS	PLANNED TARGET	ACTUAL TARGET 2021/2022	REASON FOR VARIANCE
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Percentage implementation of 5 - year finance strategic plan	100% implementation of year 2 plan of finance strategic plan	100% implementation of year 2 plan of finance strategic plan	None
Percentage implementation of 5-year human capital strategic plan	80% implementation of year 2 plan of human capital strategic plan	86% implementation of year 2 plan of human capital strategic plan	None
Unqualified audit report	Unqualified audit report for 2021/22	Unqualified audit report for 2021/22	None

**Annual Performance Report (actual performance against targets): PROGRAMME 2**

OUTPUT INDICATORS	PLANNED TARGET	ACTUAL TARGET 2021/2022	REASON FOR VARIANCE
Percentage compliance rate for annual SHEQ audit for disposal facilities on Vaalputs site	80% compliance rate for annual SHEQ audit for disposal facilities on Vaalputs site	Target Not Achieved	The SHEQ audit could not be conducted by accredited provider due to COVID19 pandemic.
Number of Public Safety Information Forum (PSIF) meetings held with communities surrounding Vaalputs	4 Public Safety Information Forum (PSIF) meetings held with communities surrounding Vaalputs	<ul style="list-style-type: none"> <li>Physical meetings were not held due to the COVID-19 pandemic.</li> <li>As an alternative, digital platforms were used to share the information.</li> </ul>	None
Percentage acceptance rate for the disposal of waste packages received from waste generators for disposal	100% acceptance rate for the disposal of waste packages received from waste generators for disposal	100%	None

**Annual Performance Report (actual performance against targets): PROGRAMME 3**

OUTPUT INDICATORS	PLANNED TARGET	ACTUAL TARGET 2021/2022	REASON FOR VARIANCE
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Percentage of CISF project plan implemented	40% of CISF project plan implemented	75% of 40% of the CISF project plan implemented	The Gateway Review needs to take place prior to the Feasibility Report being finalised.
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**Annual Performance Report (actual performance against targets): PROGRAMME 4**

OUTPUT INDICATORS	PLANNED TARGET	ACTUAL TARGET 2021/2022	REASON FOR VARIANCE
Percentage implementation of the Radiation Protection Program for Vaalputs	80% of the annual project plan for implementation of the Radiation Protection Program executed.	80% of the annual project plan for implementation of the Radiation Protection Program executed.	None
Percentage implementation of a Quality Management System for NRWDI that is ISO 9001 compliant	80% of the annual project plan for implementation of a ISO 9001 compliant Quality Management System executed.	80% of the annual project plan for implementation of a ISO 9001 compliant Quality Management System executed.	None
Percentage implementation of an ISO compliant SHE Management System for NRWDI	80% of the annual project plan for implementation of a ISO SHE Management System executed	80% of the annual project plan for implementation of a ISO SHE Management System executed	None

**Source: Presentation to PCMRE on 13 October 2022**

**5.3.2. Financial performance of the NRWDI**

NRWDI received a clean audit for the 2021-2022 financial year. The financial statements presented fairly, in all material respects, the financial position, financial performance and cash flows of NRWDI, as at 31 March 2022, and the financial statements were free of any misstatements. There were no findings on the finance and procurement matters. There were no findings on the usefulness and reliability of the reported performance information. There were no findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the Public Audit Act.

NRWDI's approved budget was R50 891 000 for the 2021/22 financial year. The budget comprised R49 166 000 from voted funds and R1 725 000 for other income (i.e. interest received).

The actual revenue recognised for the 2021/22 financial year was R50 456 609. The actual revenue comprises of the government grant of R49 166 000 and other income/interest received of R1 299 609.

The budget for expenditure was R50 891 000 and the actual expenditure for the year was R47 178 042, made up as follows as depicted graphically:

- The savings on expenditure was largely due to saving in personnel costs due to vacant positions (approx. R3,7 million).

## 5.4. South African National Energy Development Institute (SANEDI)

### 5.4.1. Non-Financial Performance

With regard to achieving its performance targets the SANEDI stated that they have achieved a ninety-seven percent (97%), and that these have consistently been achieved in the past 2 years.

### 5.4.2 Financial Performance

The SANEDI received an unqualified audit outcome from the AGSA.

**Table 5: Statement of financial Position**

	2022 R '000	2021 R '000
<b>Assets</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	6 116	6 764
<b>Current Assets</b>		
Receivables from exchange transactions	18 044	4 744
Cash and cash equivalents	303 784	260 613
	<b>321 828</b>	<b>265 357</b>
<b>Total Assets</b>	<b>327 944</b>	<b>272 121</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Payables from exchange transactions	6 366	7 227
Unspent conditional grants and receipts	145 631	103 411
Employee benefit provisions	4 492	5 593
	<b>156 489</b>	<b>116 231</b>
<b>Total Liabilities</b>	<b>156 489</b>	<b>116 231</b>
<b>Net Assets</b>	<b>171 455</b>	<b>155 890</b>
Accumulated surplus	171 455	155 890
<b>Total Net Assets</b>	<b>171 455</b>	<b>155 890</b>

**Source: SANEDI presentation to PCMRE on 13 October 2022**

Cash and cash equivalents comprises mainly cash from ring fenced funds. Surpluses funds approved by National treasury for projects in 2022. Eighty-seven percent (87%) of SANEDI's income is from government grants.

## 5.5. Council for Mineral Technology Research (Mintek)

### 5.5.1. Non-Financial Performance

Mintek has achieved 63% performance for 2021/22 financial year against the target of 65% in learning and growth perspective. In the employment statistics, Mintek reported the overall gender percentage being 55 males and 45% being females.

Mintek currently has 15 SET staff members pursuing doctorate degrees in engineering and science as part of SET Postgraduate Qualification Enhancement Programme. The topics undertaken by these candidates are along with Mintek's core research focus areas and are aimed at strengthening and develop new divisional competencies.

## 5.5.2 Financial Information

Mintek has received Unqualified Audit opinion from AGSA. The total income for 2021/22 financial years increased by 9 % from R553 to R600 million. The commercial activities increased by 22% from R255.4 to R331.3m. The state grant increased by 6.4 % from R244.9 to R260.7. Cash locked up in working capital is a continuous focus area for Mintek. The current ratio declined further to 1.6:1. The ratio indicate that ManTech's short term obligations were adequately covered by current assets.

Mintek is making visible progress to fully align with the role as research and technology organisation, as well as an industry-focused research institution. Mintek continue to redirect their effort in order to promote mineral technology and to foster the establishment and expansion of industries in the field of minerals. Visible progress towards establishing partnerships and collaborations, both locally and internationally, to help maximise their multi-disciplinary expertise, accelerate innovative, develop technological solutions, transfer and commercialise technologies. The new strategy continues to deliver results where there has been an improvement in the SET staff number, experience and qualification profile. Mintek is building capacity in business development and commercialisation as well as communication. Overall, Mintek performed well, showing improvements in RDI outputs, financial performance and improvement in staff profile, which is an indication of Mintek's quest towards sustainability in line with the objective of the Mintek's 2030 strategy.

## 5.6 Mine Health and Safety Council (MHSC)

### 5.6.1 Non-Financial Performance

### 5.6.2 Financial Performance

Reporting on the Financial performance as at 31 March 2022, MHSC said irregular expenditure decreased from R22 million in Financial Year 2019/20 to R2.6 million in the 2021/22 financial year. During the year under review, 81% revenue was collected against a target of 70%. MHSC received unqualified with finding audit outcomes during 2021/22 financial year.

## 5.7 State Diamond Trader (SDT)

### 5.7.1 Non-Financial Performance

As stated above, the SDT mandate is to buy and sell rough diamonds for local beneficiation, promote equitable access to and beneficiation of the country's diamond Resources, Address distortion created by excluding previously disadvantaged groups from economic participation (transform diamond industry), Purchase up to 10 of the run of mine from South African producers, sell to registered customers through an application and approved process.

The mandate of the entity is implemented through 5 outcomes and in terms of the Annual Performance Plan the entity had 17 strategic targets. Of the 17 targets, the entity achieved 15, resulting in 2 targets not being met. The entity failed to achieve **Outcome Indicator 3: Collaboration in promoting and investing in research and innovation for sustainable development of the diamond beneficiation industry**. The Trader was not able to add producers to its compliance list. It states that Further engagement with the Shareholder and the SADPMR to be pursued regarding noncompliant producers. **Outcome Indicator 5: To provide strategic financial support and management to ensure sustainability of the entity** was also not achieved. The SDT states that it was not able to obtain credit facilities during the financial period as the Business Plan was approved in January 2022 and that the re-application process for the credit facility was only submitted in March 2022.

### 5.7.2 Financial Performance

In terms of its budget, the SDT was able to exceed its budgeted purchases by R654 million by purchasing rough diamonds to the value of R 1, 352 billion. The entity exceeded sales by R719,9 million by achieving a sales value of R1,443 billion and achieving a gross margin of R84,6 million.

The audit outcomes for the SDT have improved from an unqualified with findings on compliance and performance information to an unqualified with no findings audit opinion. The Trader attributes this improvement to continued efforts by the entity in maintaining sound control environment and financial discipline.

## 5.8 Council for Geoscience (CGS)



### 5.8.1 Non-Financial Performance

The CGS has achieved a clean audit for the financial year 2021/2022. This is a second clean audit for the CGS with no audit qualifications over the past 20 years. Controls are constantly being reviewed for enhancement to maintain the clean audit status. Moreover, through the effective implementation of the strategic programmes, an overall performance of 86.4% was realized by the organization. The CGS conducted the External Quality Assurance Review in line with the International Standards for professional Practice for Internal Auditing and it has received an overall opinion that the internal audit activity, “generally conforms to the Standards and Code of Ethics”.

The Geoscience Technical Programme of the CGS focused on accelerated economic recovery projects that included the on-going detailed geoscience mapping at a scale of 1:50 000 and key projects focusing on the critical minerals of the future including base and precious metals (for example, nickel, cobalt, chromium and gold), rare-earth elements and coal. The onshore map coverage has increased to 10.7% from below 5% since implementation of the Integrated and Multidisciplinary Geoscience Mapping Programme (IMMP).

- The CGS officially launched its survey boat known as the R/V (Research Vessel) Nkosi. The boat was acquired to augment the CGS's marine geoscience programme which aims to map the South African continental shelf (offshore) in the highest resolution based on modern technology, at various depth scales.
- The marine geoscience programme in 2021/22 has mapped the outer parts of 1:50 000 sheet 3318CD between Melkbosstrand and Llandudno in the Western Cape Province. The high-resolution data collected will contribute towards the improvement of offshore geoscience map coverage which is currently at 0.05%.
- The CGS reported on the publishing of the one-of-a-kind Orange River Pegmatite Prospectivity Map. This area is a known source of lithium and rare earths in the Northern Cape Province. This map will contribute significantly to the much-needed intervention for the battery industry and renewable energy.
- The Karoo Deep Drilling Programme has, by end of October 2021, completed the drilling of the KDD-01 ultra-deep vertical stratigraphic borehole down to the depth of 2 978 m. The borehole intersected the carbonaceous shales of the Ecca Group earmarked for shale gas potential.
- A suite of gas measurements was undertaken on these shales in an effort to model the gas potential. A comprehensive report detailing the findings from the drilling and the rest of the baseline study is currently being concluded.
- In addition: the two shallow boreholes drilled and donated by the CGS to the Beaufort West Municipality in February 2018 continue to provide water to the Municipality. To date, the municipality has extracted and distributed well over 835million litres of water, which is equivalent to 10% of the municipality's monthly capacity.
- In support of integrated district development planning and infrastructure development, the CGS has developed the first 1:10 000-scale development suitability map around Giyani. This map will be presented to the relevant authorities to aid in infrastructure development and land use.
- The CGS implemented various infrastructure and land use thematic projects in support of the MTSF priorities 5 (spatial integration, human settlements and local government) and 6 (social cohesion and safe communities). These programmes further seek to enhance the deployment of the recently adopted One Plan District Development Model approach.
- In these efforts, the CGS has also produced a crushed aggregate potential map of southern KwaZulu-Natal which indicate most prospective areas for aggregate exploitation. In addition, several microzonation models have been produced which serve as a basis for evaluating site-specific risk analysis that is essential for the safety of critical infrastructure.
- As an implementing agency for the Carbon Capture, Utilisation and Storage Project for South Africa, the CGS in the year under review secured a state-owned piece of land in the Mpumalanga Province for the proposed pilot plant. The site selection was supported by a Basic Assessment Report and detailed structure, seismic and subsurface geological characterisation. Samples collected from existing boreholes were also analysed for their mineralogical, petrological, geochemical, and importantly, their reservoir properties.
- The Exploration Strategy for the Mining Industry of South Africa and its Implementation Plan 2022 was published in April 2022 by the Minister of Mineral Resources and Energy. These policy documents seek to attract investment through a reinvigorated mining exploration

strategy encouraging mineral exploration, clean technology, processing and mining supply and services sectors.

- In further support of the exploration activities in South Africa as well as the ERRP, the Department of Mineral Resources and Energy has allocated additional funds to the tune of R500 million to the CGS to support the proposed exploration work. The funds will be transferred to the CGS in two tranches, R200 million during the financial year 2023/24 and R300 million in the financial year 2024/25.
- To support one of the strategic initiatives outlined in the Exploration Strategy for the Mining Industry of South Africa, the CGS has launched for the first time a geoscience data portal, which has been developed to ensure that access to geoscience data and information records published by the CGS in the form of maps, documents and databases are made available to stakeholders and clients.

### **5.8.2 Financial Performance**

The Government grant consists of the baseline grant funding for the MTEF. Baseline grant funding of R484.5m has been allocated for Geological mapping for exploration of mining over the MTEF. Additional baseline allocations of R813.4m have been allocated for the geoscience activities over the MTEF. Technical adjustments were implemented on the MTEF projects where funding for the Rehabilitation of derelict and ownerless mines and the Water Ingress Solutions was moved to commercial revenue to align to the DMRE's budget classification. CGS secured the Development of Carbon Capture Storage Project with the World Bank.

A capital renewal plan is developed annually to address the infrastructure requirements. In 2020, additional funding was spent in respect of lab infrastructure and implementation of an ERP system. The aging research infrastructure of the CGS is of great concern to the organisation and attention is given to the replacement of infrastructure.

A steady balance sheet position has been maintained over the last 12 years and total assets have increased by an average of 7% over the period.

The current ratio is at 1.2:1.0 as at 31 March 2022. The CGS is in good financial standing over the next MTEF. This means that the CGS will meet its current financial obligations as they become due.

### **Budget Implications over the MTEF**

- Additional baseline allocations to the amount of R813m (R200m in 2023/24; R300m in 2024/25 and R313 in 2025/26) have been made available to the CGS over the 2023 MTEF period.
- The additional allocations are to be used for the geoscience activities which includes the on shore and off shore map coverage in support of the National Exploration Strategy.
- This means that the implementation of economic recovery on shore and off shore mapping projects in the CGS will be accelerated to augment contribution towards the South African Economic Reconstruction and Recovery Plan.

### **Current challenges with CGS Funding and Model:**

- The CGS mandate is long term in nature and needs more sustainable funding that covers a period longer than an MTEF cycle. This observation was one of the factors that lead to the conception of the Integrated and Multidisciplinary Geoscience Mapping Program (IMMP), which has a time-span longer than ten years.
- The IMMP requires funding to the amount of R20 billion rand for the first ten years. This program received support and was allocated funding to the amount of R386m in the 2019 MTEF that was discontinued from the 2021/2022 financial year. The baseline has been adjusted upward with R463m over the MTEF period.
- An additional baseline allocation has been made available to the amount of R813m over the MTEF period to meet the requested additional R300m per annum adjustment. Further support is requested for this allocation to be sustained.

### **Long Term Financial Sustainability Strategies**

- The CGS has to grow its Collaborative revenue in terms both its product offerings and value of collaborative projects pipeline, to augment the Government grant allocations.

- Competitive advantage should be created by exploiting the data accumulated over a period longer than a century, through latest technologies to add value and generate new products and services.
- Produce quality value propositions in order to exploit merging collaborative revenue opportunities to grow its pipeline. An example is that in the Reinsurance and

Insurance Industry, the Engineering and Geohazards Business Unit collects information that could be used to assess geotechnical risks in developing products for geohazard risk to infrastructure (roads, buildings, power stations, etc.) at a fee.

## 5.9 South African Diamond and Precious Metals Regulator (SADPMR)

### 5.9.1. Non-financial performance

The SADPMR achieved an overall performance of 88 percent of its targets, i.e. 42 of 48 performance targets were achieved, where two (2) performance targets were not achieved due to the High Court Judgement (High Court Judgment set aside the applicability of the Mining Charter to licenses issued under the Diamonds Act and Precious Metals Act). The long outstanding lease agreement negotiation process was ultimately finalized between the SADPMR and the GIDZ. The SADPMR was involved in a number of litigation cases, all of which were ultimately finalized. As a result, the SADPMR remained a litigation free entity.

### 5.9.2. Financial performance

The table below shows the Annual Financial Statements of the SADPMR.

**Table 7: Annual Financial Statements**

Financial Year	2022 R 000	2021 R 000
Estimated Revenue	110 463	132 651
Transfer Payment	62 027	76 054
Sale of services	60 691	42 279
Total Actual Revenue	<b>122 718</b>	<b>118 333</b>
Total expenditure	111 006	104 408
Surplus	11 712	13 925

**Source: Presentation the PCMRE on 11 October 2022**

The approved revenue budget for 2021/2022 was R111.7 million. This was adjusted by R1.3m resulting in final adjusted budget of R110.4.

The actual expenditure for the year under review was R111 million compared to a budget of R110.4 million. The expenditure trends were as follows: Compensation of employees: R80.3 million; other operating expenditure: R26.4 million; and non-cash expenditure: R4.3 million. The actual expenditure against the budget is high mainly due to a labour matter regarding former employees taking longer than expected as well as the office relocation costs funded from reserves. In 2021/2022 the SADPMR reported a surplus of R11.7 million as compared to R13.2 million in the 2020/2021 financial year.

The total revenue recognised was R122.7 million and the Grants/Transfer revenue amounted to R62 million. The in-house revenue generated was R60.7 million compared to the budget of R47 million. The increase in revenue generated from sale of services results from increase in the dollar per carat value. The decrease in Revenue from non-exchange transactions compared to the previous financial period is due to the additional R14m funding allocated in the 2020/2021 financial year for the move to the GIDZ. The levying of penalties was also discontinued, the revenue in this regard was

derecognised in the period under review and retrospectively. The entity received an Unqualified Audit Opinion with findings for the financial year under review.

## 5.10 South African Nuclear Energy Corporation (NECSA)

### 5.10.1 Non-financial performance of the NECSA

The Board is operating at full capacity and has approved a strategy and organisational structure that is now fully capacitated at the top (Full Exco as at end July 2022). NECSA are pleased with improvements in governance, financial performance and stability. These are being cemented by the new strategy with accountable leadership. The NECSA stated that they are confident that despite negative audit outcome, and according to the Board, NECSA is well on its way to a clean audit with the right support and stable leadership.

The Board continues to give support to the executives while exercising the necessary oversight. Support of the Shareholder and guidance have been important factors in the improvements that we see.

The current energy crisis facing the world cannot go unnoticed. At home, we know the negative impacts of power shortages. Capacitating and ensuring that nuclear technology plays its role in industrialising and decarbonizing our economy has become rather urgent. NECSA is gearing itself to play its part in nuclear power generation, especially SMRs.

The 2021/22 financial year was a year of transition where NECSA moved from old strategy and corporate plan (different set of KPAs) to a new strategy for growth. The new strategy comprises five pillars supported by 15 KPAs – a reduction from 26 the previous year.

**Table 8: Detail of performance on predetermined objectives**

	<b>KPIs</b>	<b>% Achieved</b>
<b>1. Commercial programme</b>	<b>13</b>	<b>54%</b>
Nuclear medicine and industrial isotopes	5	80%
Fluorochemicals	6	33%
Nuclear and Industrial Manufacturing	2	50%
<b>2. Growth Initiatives</b>	<b>5</b>	<b>60%</b>
Growth Initiatives	4	75%
Stage 1 D&D	1	0%
<b>3. Infrastructure Programme</b>	<b>2</b>	<b>50%</b>
Multi-purpose Reactor (MPR)	1	100%
Pelindaba Masterplan	1	0%
<b>4. Research Capability, Support Services and Compliance</b>	<b>4</b>	<b>100%</b>
Compliance to SHEQ, License and other regulatory requirements	2	100%
Human Resource Management	2	100%
<b>OVERALL</b>	<b>24</b>	<b>63%</b>

Source: NECSA presentation to PCMRE on 13 October 2022

### 5.10.2 Financial performance of the NECSA

The downward trend in financial performance is being arrested with a marked improvement seen from financial year (FY) 2020/21 to FY 2021/22. The total profit/loss for the year under review at (R23.2m) versus projections of (-R155m) gives confidence that financial performance is turning. The positive trajectory is fully supported by the current approved strategy and corporate plan and calls for focus on more and diversified revenue streams.

The picture will see Necsa reducing its reliance on the fiscus and playing its rightful role in contributing towards the achievement of the country's socio-economic goals in support of the National Development Plan.

The Group shows a turnaround evidenced in the net profit before adjustments at +R54m eroded by accounting adjustments. Overall improvement at Group level with a comprehensive loss of –R23m versus a budget of –R155m.

Key issues to note:

- The audit report shows a reduction in material findings.
- No supply chain issues
- NECSA's Audit Recovery Plan has begun
- Irregular expenditure and fruitless and Wasteful expenditure is on a downward trend over three years.

## **5.11 Central Energy Fund (CEF)**

### **5.11.1 Non-Financial Performance**

The CEF Group strategic response had identified four key focus areas or pillars to the CEF Group strategic and Corporate Plan for the 2020/21-2024/25 planning horizon.

Key strategic pillars:

1. Stabilising the CEF Group and improve long term commercial sustainability and strategic relevance
2. Drive growth and increase Market Share through diversification of Income streams & product portfolio
3. Development of key Energy Infrastructure programs in support of economic development & growth
4. Group Consolidation to exploit synergies and improve scale for strategic relevance turning around struggling entities.

This process supported the development of the Group Key Objectives that would underpin the Group Score Card and overall alignment within the Group

Key objectives

1. Consolidation & Turnaround
2. Commercial sustainability
3. Strategy & Long-Term Growth
4. Operational Efficiency
5. Human Capital & Organisational Alignment

Key results

- 5% market share
- R4B return by 2025
- ROA OF 12% by 2025
- 75% Brand Reputation Score
- Integrated National Oil Company (SANPC)
- R2.7B income from new business
- Creation of a High-Performance Culture
- Strategic acquisitions
- Downstream presence

The CEF highlighted that during Q3 and Q4 of the period under review, there were a number of events that had significant impact on the delivery against pre-determined objectives.

**Table: Performance of the CEF's subsidiaries**

<b>Subsidiary</b>	<b>Highlights</b>	<b>Low lights</b>
African Exploration Mining & Financing Corporation (AEMFC)	<ul style="list-style-type: none"> <li>• Revenue generated R696 million</li> <li>• Net profit R127 million</li> <li>• Profit in sale he sale in the disposal of the associates, Mzimkhulu R107 million</li> <li>• Trade Earnings R20 million</li> </ul>	<ul style="list-style-type: none"> <li>• Coal quality challenges</li> <li>• Poor business culture and no consequence management</li> <li>• High headcount, high</li> </ul>

	<ul style="list-style-type: none"> <li>• Cash on hand R331.5 million</li> <li>• Positive ratios (Current ratio is at 3.58, total assets R1.1 billion, net asset value R530 million)</li> <li>• No. of people employed: 373</li> <li>• Improvement in the Audit Opinion from Qualification to Unqualified with findings</li> <li>• No fatalities</li> </ul>	<ul style="list-style-type: none"> <li>• cost, low volumes (tons), inefficiency</li> <li>• Security challenges</li> </ul>
CEF SOC	<ul style="list-style-type: none"> <li>• Approval of additional 10% of investment in ACWA Redstone project</li> <li>• Merger of PetroSA, SFF and iGas at an advanced stage, the validation exercise for the preferred merger archetype was concluded and the entity has been registered as a legal entity (SA NPC).</li> <li>• Acquisition of SAPREF at an advanced stage.</li> <li>• Improved loss from previous financial year</li> <li>• Received a dividend of R173m from iGas</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in Investment income due to lower interest rate during 2022 financial year.</li> <li>• Continued operating losses due to low recovery of the head office operational costs</li> </ul>
iGas	<ul style="list-style-type: none"> <li>• Acquisition of additional 15% shareholding in ROMPCO successful</li> <li>• R301.25 million dividend received from ROMPCO</li> <li>• ROMPCO fully capacitated at Management &amp; Specialist Levels to Terminate the Sasol MSA. However, ROMPCO insurance remains with Sasol as it is cheaper</li> <li>• Term Sheet signed with ENH for 2 MGJ/a Gas Trading Joint Venture</li> </ul>	<ul style="list-style-type: none"> <li>• Economic impact post Covid-19 due to increasing of gas prices</li> <li>• Impact of Russia and Ukraine conflict</li> <li>• Terms of Reference for Transaction Advisors for Ngqura-Coega LNG Terminal completed by not issued to market due to JDA internal challenges <ul style="list-style-type: none"> <li>▪ Sasol termination of Gas Pipeline Network sale.</li> <li>▪ Resources constraints</li> </ul> </li> </ul>
Petroleum Agency South Africa (PASA)	<ul style="list-style-type: none"> <li>• PASA operationalized its new executive structure – COO, Manager Comm. &amp; Stakeholder Management</li> <li>• The geological modelling of the central Karoo was advanced and the sweet spot for shale gas is now well defined</li> <li>• PASA participated in the Upstream Petroleum Resource Development Bill discussions as well as the draft Oil and Gas Tax Regime issued by National Treasury.</li> <li>• Cabinet supported the DMRE in their strategy to request the PICC to designate Block 11B/12B as a Strategic Integrated Project (SIP).</li> <li>• Entity met its corporate objectives for 2020/2021 except for one which relates to the automation of business processes</li> </ul>	<ul style="list-style-type: none"> <li>• There are sustained legal challenges against the development of the oil and gas industry, upstream and downstream.</li> <li>• The regulated fees of PASA were not revised to support the Long-term financial sustainability of the regulator</li> </ul>
PetroSA	<ul style="list-style-type: none"> <li>• Good progress made on turnaround initiatives</li> <li>• Drilling campaign in Ghana progressed well</li> <li>• Maintained limited open credit terms with suppliers</li> <li>• Dividends received from PetroSA Ghana</li> <li>• All operations remained fatality-free with an overall HSEQ Index of 3.25.</li> </ul>	<ul style="list-style-type: none"> <li>• Company continues to report operating losses.</li> <li>• Ability to source petroleum products was extremely challenging in the last quarter of FY21/22.</li> <li>• No production from GTL refinery.</li> </ul>

		<ul style="list-style-type: none"> <li>Imported condensate not secured due to depressed margins.</li> <li>Liquidity issues impacting Mossel Bay imports.</li> </ul> <p>Delays in implementation of infrastructure projects</p>
SFF	<ul style="list-style-type: none"> <li>SFF concluded the acquisition of the BP Montague Gardens Terminal (50% stake)</li> <li>SFF concluded the acquisition of the Avedia LPG Storage facility (awaiting outcome of the Tribunal)</li> <li>Concluded the Pre-Feasibility Study for the development of the South Sudan Oil Pipeline and Refinery</li> <li>Vitol withdrawal of counter appeal confirmed that all 10 million barrels strategic stock belongs to SFF</li> <li>63% of new recruits were Female</li> <li>6 CSI projects were implemented</li> <li>Announcement made by Ministers to subsidize the fuel levy for 2 months</li> <li>Unqualified audit opinion (only two findings)</li> </ul>	<ul style="list-style-type: none"> <li>The delay of the Section 51 application by National Treasury delayed the implementation of the technical work programme in South Sudan.</li> <li>Loss of anchor tenant, Astron Energy</li> <li>The negotiations and legal process to recover 300kbbbl still ongoing</li> </ul>
Equalisation Fund (EQF)	<ul style="list-style-type: none"> <li>The <i>surplus for the year</i> amounted to R992.9 million compared to a deficit of R544.8 million.</li> <li><i>Total revenue</i> from non-exchange transactions amounted to R4.7 billion compared to a prior year amount of R142 million and Levies payments of R3.7 billion was incurred compared to the prior year of R720 million. <i>The variance is due to a slate levy implemented in the price structures</i> of petrol and diesel</li> </ul> <p>Key Challenges</p> <ul style="list-style-type: none"> <li>The <i>IP Tracer Dye Levy</i> collected continues to be insufficient to pay for the IP Tracer Dye claims.</li> </ul>	

### 5.11.2 Financial Performance

**Table 10: CEF Group Income Statement by Business Segment as the 31st March 2022**

Profit/(loss) for the year by business segment										
Figures in Rand thousand										
	Group	PetroSA	AEMFC	SFF	iGas	CEF	Renewable Energy	OPC	PASA	Intercompany transactions
Revenue	13,891,250	12,159,103	696,240	909,232		18,225	48		124,504	(16,102)
Cost of sales	(11,558,081)	(11,046,821)	(509,634)				-			(1,626)
<b>Gross profit</b>	<b>2,333,169</b>	<b>1,112,282</b>	<b>186,606</b>	<b>909,232</b>	<b>-</b>	<b>18,225</b>	<b>48</b>	<b>-</b>	<b>124,504</b>	<b>(17,728)</b>
<b>Gross profit/(loss) margin</b>	<b>17%</b>	<b>9%</b>	<b>27%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>100%</b>	<b>110%</b>
Other operating income	751,317	574,931	28,283	110,531		21,261			19,896	(3,585)
Other operating gains/(losses)										-
Other operating expenses	(3,187,633)	-2,109,761	(163,695)	(463,497)	(63,925)	(454,851)	(1,647)	(752)	(151,279)	221,774
<b>Operating profit (loss)</b>	<b>(103,147)</b>	<b>(422,548)</b>	<b>51,194</b>	<b>556,266</b>	<b>(63,925)</b>	<b>(415,365)</b>	<b>(1,599)</b>	<b>(752)</b>	<b>(6,879)</b>	<b>200,461</b>
<b>Operating profit (loss) margin</b>	<b>-1%</b>	<b>-3%</b>	<b>7%</b>	<b>61%</b>	<b>0%</b>	<b>-2279%</b>	<b>-3331%</b>	<b>0%</b>	<b>-6%</b>	<b>-1245%</b>
Investment Income	593,496	180,497	8,719	203,976	58,446	415,142	-	1,525	19,177	(293,986)
Income from equity accounted investments	451,985		127,100		429,075					(104,190)
Finance costs	(614,447)	(572,027)	(22,042)	(23,305)	(9)	(100,081)	(16,654)		(696)	120,367
<b>Profit (loss) before taxation</b>	<b>327,887</b>	<b>(814,078)</b>	<b>164,971</b>	<b>736,937</b>	<b>423,587</b>	<b>(100,304)</b>	<b>(18,253)</b>	<b>773</b>	<b>11,602</b>	<b>(77,348)</b>
Taxation	(265,330)	(202,012)	(37,840)		(15,232)	(10,245)				(1)
<b>Profit (loss) for the year</b>	<b>62,557</b>	<b>(1,016,090)</b>	<b>127,131</b>	<b>736,937</b>	<b>408,355</b>	<b>(110,549)</b>	<b>(18,253)</b>	<b>773</b>	<b>11,602</b>	<b>(77,349)</b>

Source: CEF presentation to PCMRE on 13 October 2022

PetroSA's net loss is attributed to high fixed cost of maintaining the GTL refinery that has stopped operating as it is still under care and maintenance. PetroSA losses were reduced by CEF SOC's financial support of R189.9 million in the 2021/22 financial year. Included in the CEF SOC loss of R 110.5 million is impairment of the PetroSA loan, the CCE loan and impairment of trade receivables with subsidiaries totaling to R199 million, excluding this impairment the entity would have made a profit of R88.7 million. The net loss recorded under Renewable Energy is attributed to interest expense on the intercompany loan from CEF SOC to CEF Carbon for ACWA and the storage costs for the CCE equipment.

The Group has reported a net profit of R63 million compared to the net profit of R540 million reported in the prior period. The decrease in profits is mainly due to the decrease in impairment reversals from the 1.4billion reported in prior year to R375m in the current year.

This was however countered by the following:

- Favourable revenue performance mainly attributable to our purchased petroleum products trading unit at PetroSA and the coal mining businesses at AEMFC.
- Impairment reversals due to the increase in the oil price and the decrease in the R/US\$ exchange rate
- Cost containment and cash preservation initiatives implemented during the year particularly at PetroSA through the tripartite war room.

The Group reported total assets of R29.3 billion which is a 1% increase from the R29.0 billion reported in the prior year. The increase is mainly due to the ACWA loan advanced during the year and interest earned on funds invested.

As at 31 March 2022 the Group was liquid and solvent, however this is threatened by the PetroSA rehabilitation provision valued at R13 billion which is currently under funded by R9.6 billion at year end. In terms of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) as amended, PetroSA is required to have the rehabilitation liability fully funded by February 2024. CEF Group recorded Net Asset Value of R10.4 billion at the end of March 2022.

The Group's cash balance increased by 3% from R13.7 billion in the prior year to R14.1 billion in the current year, mainly due to cash generated from operations. In the financial year under review the Group generated a total of R 1.5 billion from operating activities compared to the R4.3 billion utilized in the prior year (mainly repayment of Traders). This was made up of cash generated from the core operations of R822 million, interest income of R577 million and dividends received from associates of R321 million, which was reduced by the finance costs paid of R80.3 million and tax paid of R 175 million. The capital investment mainly relates to the investment in ACWA Redstone of R459 million, which was countered by the proceeds of R111 million from the sale of uMzimkhulu Mining PetroSA fully paid its RBL facility (R328 million)

## **6. OBSERVATIONS**

### **6.1. Auditor-General of SA**

1. The Committee welcomed the improved performance of the entities of the Department, as six (6) of the entities obtained clean audits.
2. It was noted with concern that NECSA has been receiving disclaimer audit outcomes since the 2018/19 financial year. However, the Committee also appreciated the fact that there is significant improvement on findings of the AGSA on NECSA compared to the prior years, an indication that the entity is working hard to move out of the bad situation it finds itself in. Material findings decreased from over 100 in the previous financial year, to 14 in the 2021/22 financial year.
3. It was noted with concern that the Department did not submit its Draft Annual
4. Performance Plans for the 2021/22 financial year to the AGSA for the review before it was finalised. Had it been submitted, some of the findings could have been prevented, especially on the setting and measurement of performance targets.
5. The Committee noted with concern the recurring findings on the Department by the AGSA relating to poor debt collection and interests not charged on debt, as well as delays in creditors payments.



## **6.2 The Department of Mineral Resources and Energy (DMRE)**

1. The Committee welcomed the improved performance of the Department, having achieved 72% of its planned targets compared to the 67% achieved in the previous financial year. However, the Committee was concerned that there was no correlation between the targets achieved versus the budget spent. The Department spent 96% of the allocated budget for the 2021/22 financial year.
2. The commitment by the Department that an off the shelf Cadastral System procurement would be done within the current financial was noted. The Department indicated that, the rollout of the system would be dictated by the service provider.
3. The Committee noted with concern the increase in occupational injuries, fatalities and diseases.
4. The Committee was concerned by the pieces of legislation and policies that have been under development for a long time, to a point some requiring to be started afresh due to changes in the sector.
5. It was observed with concern that, amid the energy crises, Request for Proposals (RFP) for 3 000 MW from gas, 1 500 MW from coal, 513 MW from storage targets were not achieved. However, the commitment by the Minister that all RFPs would be done during the 2022/23 financial was noted.
6. Members pointed out that the review of the Integrated Resources Plan (IRP2019), which has become outdated, needed to be addressed.
7. The consistent fruitless and wasteful expenditure reported under the National Solar Water Programme was noted as a serious concern by the Committee. It was reported that the Department is awaiting Forensic Investigation outcomes, conducted by the KPMG in this regard.
8. Whilst it was regarded as ambitious by some Members, the assurance by the Minister that the Brulpadda/Luiperd development in Block 11B/12B would deliver its first gas by 2024/2025, and feed to PetroSA, was noted.
9. An observation and a concern that was raised in the previous BRRR process was reiterated. A concern was that, the time allocated to the Committee/s was not sufficient to do justice in the BRRR process. For instance, the Committee, in a period of two days, had to listen to the briefings of 11 entities and the Department.
10. Members noted that the AGSA findings were miscommunicated or misunderstood by entities.
11. Members further observed that the DMRE does not communicate effectively with entities.

## **6.3 Entities reporting to the Department**

1. Across the eleven entities, the upscaling or commercialization of projects was noted as a challenge, e.g. a number of SANEDI's projects can be commercialised.
2. Another challenge noted by the Committee was that the capabilities of the state owned entities within the energy and mineral resources portfolio is not fully utilised by the Government. For an example, the African Exploration Mining and Finance Corporation (AEMFC) has a contract to supply coal to Eskom, however, their contract is limited, whereas the entity is able to supply much more coal to Eskom.
3. Efforts by NERSA to streamline its application processes for the smaller IPP projects (less than 100 MW) was noted. NERSA indicated that it had streamlined the processes from 90 to 30 days. It was noted that, sometimes delays are not necessarily because of NERSA but are caused by incomplete information submitted by the applicants.
4. The amount of money spent by NERSA on litigation charges was noted as a concern. However, more concerning was the Government entities taking each other to court. NERSA explained that the National Energy Regulator Act provides for the applicant challenge the Regulators' decision, and that there was no alternative dispute mechanism provided for in the Act. During the 2021/22 financial year, the Regulator spent about R16.8 million litigation charges, this compares to R21 million spent on litigations in the previous financial year, 2020/21.
5. The Committee congratulated the SDT and the SADPMR for having relocated to the Gauteng Industrial Development Zone (GIDZ) precinct.
6. The Committee noted with concern the two (2) crucial resignations at the SDT. The Chief Financial Officer (CFO), and the Chief Executive Officer (CEO) were reported to have resigned.

7. The continuous plea for intervention by the SAPDMR was noted. The plea was that there should be VAT exemption on imports for the industry, to free up the much needed cash. The intention of VAT exemption on imports is to promote local trade through producers in Africa.
8. The challenge experienced by the SAPDMR as a result of the High Court ruling that set aside part 4 of the Mining Charter pertaining to down-stream mineral beneficiation and effective transformation goals was noted.
9. The Committee noted with concern that, of all the CEF subsidiaries, the AEMFC obtained an unqualified audit in the 2021/22 financial due to uncorrected misstatements on commitments.
10. The Committee was concerned about the reported allegations of coal procurement licences which were submitted and subsequently withdrawn.
11. It was noted with concern that CEF repeatedly failed to submit its Shareholder Compact.
12. The continued slow pace on the merger of the three (SFF, IGAS and PetroSA) entities was noted as a concern. CEF indicated that Phase 1 of the merger process has been completed, Phase 2 has not started, which would entail transitional processes.
13. The Committee noted and appreciated the support the CEF Group had provided to PetroSA, when the subsidiary was not able to pay salaries.
14. Moreover, CEF was commended for the strategic direction it took on PetroSA.
15. The Committee was informed that the PetroSA CEO had left the company, 'at a cost'.
16. Whilst the disclaimer audit outcome obtained by NECSA, the significant improvement on material findings was welcomed. However, the reliability of the financial forecast of the NECSA was questioned by some Members and the AGSA.
17. The Committee was concerned by the fact that NECSA had given prohibited awards to the employees, families and associates.
18. The Committee welcomed the good work of CGS, including the entities' involvement on the issue of flood disasters in the country.
19. Regarding the NNR, the Committee noted that the entity's CEO had resigned to become a Vice Chancellor of North West University, which might have a negative effect on the leadership and management of the entity.
20. Members observed the difference in average salaries at the NNR, between the administration officials versus the technical staff.
21. Members pointed out that the NNR's performance bonuses were out of line with what should be the norm.
22. The Committee noted with concern the allegations made that the working conditions at NRWDI are reportedly toxic. It was also noted that the Department was looking into these allegations.
23. Members highlighted the importance of a State Owned Mining Company, which would expand the scope and mandate of the AEMFC that would not only deal with coal, but would also include other minerals.
24. Members observed the different responses by the CEF and the AEMFC, regarding retrenchments.
25. Members observed that the rehabilitation and/or closure of derelict and ownerless mines remains a challenge.
26. Members observed that the delay in finalising the Centralised Interim Storage Facility (CISF) was attributed to NRWDI's resources constraints. Members further pointed out that building of the waste repository remains a challenge.

## 7. RECOMMENDATIONS

It is recommended that the Minister of Mineral Resources and Energy should:

1. Continuously monitor and ensure that the NECSA further improve on its current performance.
2. Ensure that the DMRE submit its draft Annual Performance Plan timeously to the AGSA on an annual basis.
3. In consultation with the DMRE and its entities develop processes and procedures to address and minimize the number of days relating to debt collection as well as creditor payments.
4. Expedite the implementation of the Electrification Master Plan as the pace in which the electrification of households carried out through Eskom and municipalities is likely to miss the grid and non-grid additional connections set for 2024.

5. Implement and strengthen the Mine Communities and Stakeholder Engagement Unit as outlined in the DMRE Strategic Plan 2020-2025 to improve communication, consultations, and collaborations between mines, communities, and other government institutions.
6. Attract investments in clean coal technologies, including Carbon Capture, Utilisation and Storage (CCUS) to improve coal's sustainability as a primary energy source whilst at the same time addressing issues between Eskom, Independent Power Producer Office (IPPO), and NERSA that causes delays in finalising renewable energy programmes already procured.
7. Work closely with National Treasury (NT) to ensure that financially struggling State Owned Entities are allowed to utilise the services rendered by other state entities without subjecting such services to competitive bidding processes.
8. Encourage the National Treasury (NT) and the AGSA to provide training to State Owned Entities with a number of instances of non-compliance with the PFMA and other related regulatory legislation.
9. Address the vacancy rate of 9,7 percent, by filling the 157 vacant posts.
10. Finalise the Mineral Beneficiation Masterplan as transformation and mineral beneficiation in the mining sector are not at expected levels.
11. Address the capacitation of the Revenue Collection Unit within the Department, as well the challenges related to the Information Communication Technology (ICT) system in order to strengthen and improve debt collection and creditor payments.
12. Continuously monitor and ensure that the new off the shelf Cadastral System procurement is implemented within the 2022/23 financial year.
13. Address the continuous fruitless and wasteful expenditure reported under the National Solar Water Programme. Furthermore, on a regular basis update the Committee on the National Solar Water Heater Programme, including on the investigation being conducted by the KPMG, before the end of the 1<sup>st</sup> term of the 2023/24 financial year.
14. With National Treasury (NT), present a cost-benefit analysis on the Solar Water Heater Programme, in order to ascertain if there is value for money regarding the programme
15. Collaborate with Departments of Cooperative Governance and Traditional Affairs, Human Settlements and the South African Local Government Association, respectively, in order to achieve buy-in of the solar water heater programme.
16. Update the Committee on the Independent Power Producers Procurement Programmes, including delays with regard to Bid Window 6 and 7.
17. Address and develop mechanisms across the eleven entities in upscaling or commercialization of projects.
18. Prioritize the filling of the Chief Financial Officer (CFO) and the Chief Executive Officer (CEO) posts at the State Diamond Trader (SDT).
19. In consultation with the Minister of Finance address the SADPMR's plea for VAT exemption on imports for the industry.
20. Ensure that the Board of NRWDI make a written submission to the Committee explaining how its handling the allegations of unpleasant working conditions.
21. Ensure that the AEMFC make a written submission to the Committee explaining the allegations of the mining licence submissions and subsequent withdrawals.
22. Provide a report of CEF and the AEMFC, relating to allegations made in respect of retrenchments and appointments, which have not been approved.
23. The DMRE should explore the option of ensuring that the AEMFC is the primary coal supplier to Eskom.
24. Ensure that entities that are having the necessary capacity to provide certain services (such as coal to Eskom) are prioritised when work becomes available.
25. Improve the working relations and collaboration between the AGSA and the DMRE, DMRE and its entities, as well as between entities and other departments and entities.
26. Ensure that the AEMFC collaborate with the CGS, Mintek and other relevant stakeholders to prioritize and ensure that all new discovered mineral deposits are explored, mined and processed by the state.
27. Provide a comprehensive report on all entities, whom recorded, irregular, fruitless and wasteful expenditure. On consequence management undertaken, the Minister should also include reports on recouping money and initiating criminal cases against those found to have defrauded the State in one way or the other.
28. Explore legislative and policy amendments that will prevent State departments and/or entities taking each other to court as opposed to resolving all conflict as the State.
29. Enable Mintek to be in a position to pilot some of the projects they believe will be of commercial value.

30. Address the self-sustainability of Mintek relating to funding and reviewing of legislation.
31. Provide a comprehensive report, by both the DMRE and Mintek on a workable strategy outlining how they intend to handle the closure and rehabilitation of abandoned and derelict mines as a matter of urgency.
32. Ensure that NRWDI provides a comprehensive report on how they plan to fund the decommissioning and disposal of radioactive waste materials from Koeberg Nuclear Power Plant, considering the delays in finalising the Radioactive Waste Disposal Fund Bill.
33. Ensure that the DMRE, with the NRWDI provide a report on how they plan to address challenges – e.g. budget constraints, amongst others – with regard to the Centralised Interim Storage Facility, including the repository.

## **7. APPRECIATION**

The Committee would like to thank the Minister of Mineral Resources and Energy, Mr S.G Mantashe, and the staff of the Department as well as the Board Members and Management of all the entities, for their cooperation and transparency during this process.

The Chairperson wishes to thank all Members of the Committee for their active participation during the process of engagement and deliberations and their constructive recommendations reflected in this report.

The Committee also wishes to thank its support staff, in particular the Committee Secretaries, Ms A Boss, Mr A Kotze, the Content Advisor for Energy, Mr S Maboda, the Committee Assistant, Ms V Makubalo and the Executive Secretary to the Chairperson, Ms N Baleni, for their professional support and conscientious commitment and dedication to their work.

**Report to be considered.**

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