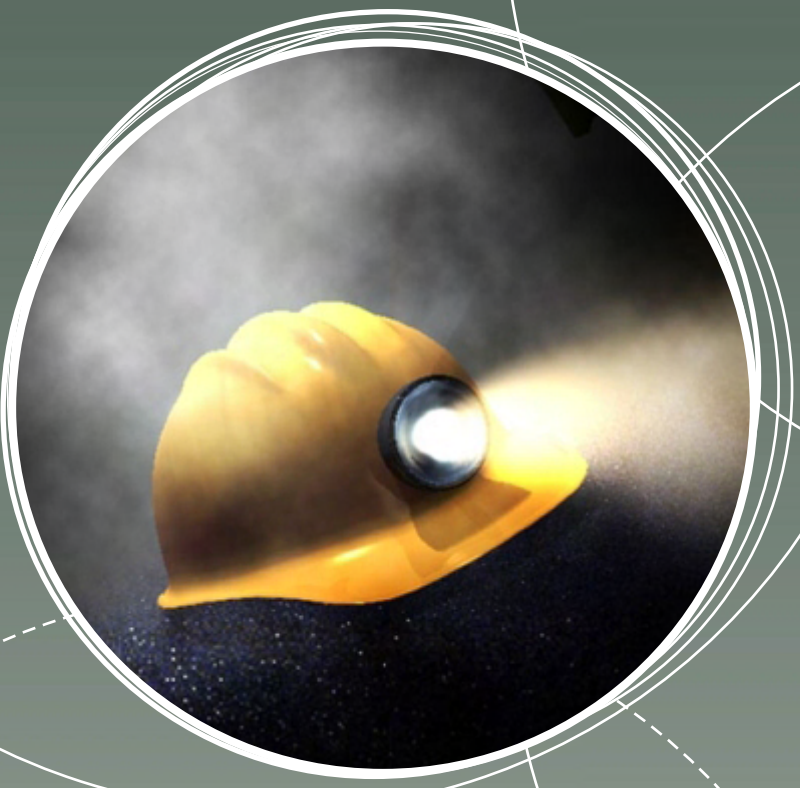
ANNUAL REPORT
2011-12



MHSC

Mine Health and
Safety Council

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CONTENT

VISION AND MISSION

Vision

"A world-class health and safety performance for mine workers and affected communities"

Mission

"To promote health and safety culture in the mining industry and provide current advice on mine health and safety issues through tripartite partnership"

Values

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

GLOSSARY

AIDS	Acquired Immune Deficiency Syndrome
BSC	Balance Scorecard
AMD	Acid Mine Drainage
CoE	Centre of Excellence
CTF	Culture Transformation Framework
DMR	Department of Mineral Resources
HIV	Human Immunodeficiency Virus
MBOD	Medical Bureau for Occupational Diseases
MHSA	Mine Health and Safety Act, No. 29 of 1996
MHSC	Mine Health and Safety Council
MHSI	Mine Health and Safety Inspectorate
MOHAC	Mining Occupational Health Advisory Committee
MITHAC	Mining Industry HIV/AIDS and TB Advisory Committee
MOU	Memorandum of Understanding
MQA	Mining Qualifications Authority
MRAC	Mining Regulation Advisory Committee
NIHL	Noise Induced Hearing Loss
OHS	Occupational Health and Safety
PFMA	Public Finance Management Act, No. 29 of 1999
SAMODD	South African Mines Occupational Diseases Database
SAP	Summit Action Plan
SIMRAC	Safety in Mines Research Advisory Committee
TB	Tuberculosis

CHAIRPERSON'S OVERVIEW

CHAIRPERSON'S OVERVIEW

The issue of Occupational Health and Safety in the South African Mining Industry remains a significant concern. Against this backdrop, the Mine Health and Safety Council hosted a summit focusing on the attainment of the Occupational Health and Safety milestones as set out in 2003. These milestones relate to:

- Eradication of silicosis
- Elimination of noise-induced hearing loss
- The target of zero fatality and injuries

For the MHSC, the 2011/2012 year has been one of many challenges, but for a change one with many rewards. From a strategic perspective, the stakeholders collectively agreed and committed to significant changes for the sector. Aspects such as the Culture Transformation Framework, the commitments on the Summit Action Plan (both for Occupational Health and Safety (OHS) as well as HIV/AIDS and TB), and the establishment of a Centre of Excellence will go a long way towards addressing the requirements for making dramatic changes in terms of OHS in the sector. It is thus appropriate that the theme for the summit was Zero Harm through Action, which implies that “the time for talking is over”.

From an operational perspective, the MHSC has also made significant inroads into two areas that have traditionally been the proverbial thorn in the side of the MHSC. These are the focus on delivery against the research programme, the streamlining of other operational activities of the MHSC, and the improvement on levy management practices. In the current financial year, there has been significant improvement in project management and revenue collection.

Whilst it is important to acknowledge achievements, it is at the same time appropriate to highlight that significant room for improvement still remains. Aspects such as delivering on legislation for promulgation remain a concern. Significant effort is being made towards enhancing the capabilities of the advisory committees to deliver in support of the MHSC's strategic efforts.

I wish to thank the MHSC members, SIMRAC, MOHAC, MRAC, MITHAC and Audit and Risk committee members, and our stakeholders and staff for their commitment towards striving for ZERO HARM in the mining industry.

David Msiza
Chairperson of the Mine Health and Safety Council

OVERVIEW OF THE MHSC

The Mine Health and Safety Council (MHSC) is mandated in accordance with the terms of section 43 of the Mine Health and Safety Act (MHSA), No. 29 of 1996 (as amended in 2008), in that the MHSC must:

1. Advise the Minister on health and safety at mines including, but not limited to, any legislation on mine rehabilitation in so far as it concerns health and safety;
2. Coordinate the activities of its committees, receive reports from the committees and liaise with the Mining Qualifications Authority on matters relating to health and safety;
3. Liaise with any other statutory bodies concerned with matters relating to health and safety;
4. Promote a culture of health and safety in the mining industry;
5. At least every two years arrange and coordinate a tripartite summit to review the state of health and safety of mines;
6. Perform every duty imposed upon the MHSC in terms of the MHSA; and
7. Annually advise the Minister on relevant research relating to health and safety at mines.

To this end, the MHSC is established with five representatives of the Tripartite Stakeholder groupings from state, organised labour and employers.

In addition, the MHSC enlists the assistance of the following advisory committees:

1. Mining Regulation Advisory Committee (MRAC) to advise the Council on legislation, guidelines and standards;
2. Mining Occupational Health Advisory Committee (MOHAC) to advise the Council on occupational health;
3. Safety in Mines Research Advisory Committee (SIMRAC) to advise the Council on health and safety research;
4. Mining Industry HIV/AIDS and TB Advisory Committee (MITHAC) to advise the Council on HIV/AIDS and TB in the mining sector; and
5. Audit and Risk Committee (ARC) to advise the Council on oversight requirements in line with the PFMA.

This is shown graphically in Figure 1 below:

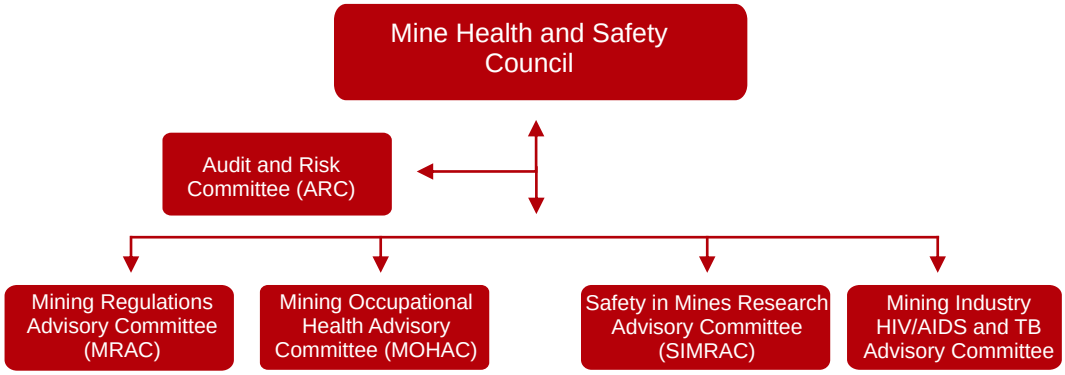


Figure 1: Mine Health and Safety Council Structure

The MHSC Office serves as the implementation wing of the MHSC.

MEMBERS OF THE MHSC

Mr D Msiza
Chairperson

Dr. T Balfour-Kaipa

Mr. E Gchilitshana

Dr. D Mokoboto

Mr. H Rex

Mr. M. Nhlapo

Mr. P Hlabizulu

Mr. L McMaster

Mr. T Dube

Mr. T Masondo

Mr Mark Munroe

Mr. F Stehring, Mr. HC van der Merwe and Mr. S Mkhonto's pictures were not available when going to print

MHSC Staff

Back row (from left – right): Tshino Mavhusha; Belina Ngomano; Simon Mmachaka; Florence Cairncross; Geoffrey Letsoalo; Judy Matthews; Johannes Lethebe; Solomon Mthembu; Vhonani Tshifularo and Witness Nkosi.
Middle Row: Nthabiseng Mashao; Vimla Pantasaib; Siboniso Mfeka; Palesa Noosi; Makhosazana Kunene; Naomi Nkoana; Precious Mulaudzi; and Ruth Nkoana.
Front Row: Lerato Nyathi; Fulufhuwani Makhado; Noeleen Woods; Kgomotso Mokhine; Faith Ntladi and Tino-Tenda Pupuma.

PERFORMANCE OF THE MHSC AGAINST PRE-DEFINED OBJECTIVES

5.1 Overview of the 2011/2012 Strategic Plan

The MHSC develops a rolling three-year strategic plan annually, using the principles of the Balance Scorecard (BSC) approach. The BSC for a public sector entity is defined according to the following strategy and key objectives as shown below in Table 1.

Table 1: Key objectives of a BSC and the definition

Key objective	Intent
Customer and stakeholder perspective	Strategy for creating value and differentiation from the perspective of the customer
Internal business processes	Strategic priorities for various business processes that create customer and stakeholder satisfaction
Learning and growth	Priorities to create a climate that supports organisational change, innovation and growth.
Financial perspective	Strategy for growth, sustainability, and risk viewed from the perspective of the stakeholder

For the 2011/2012 financial year, the MHSC defined its BSC as shown in Figure 2, linking the strategic map with key objectives defined per strategic perspective.

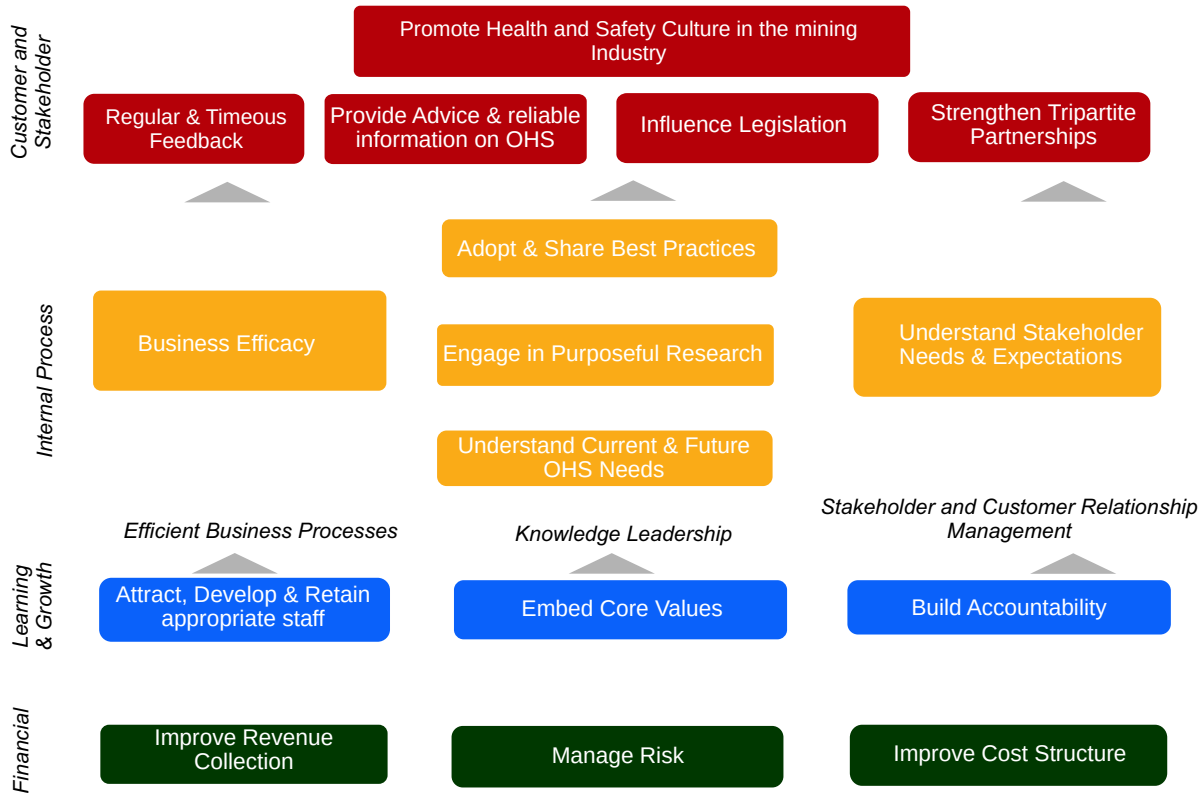


Figure2: MHSC Strategic Plan for 2011/2012 as per BSC

5.2 Performance against the Strategic Plan

The use of the BSC within the MHSC is now in its third year and has been accepted by all stakeholders as an effective and efficient tool for monitoring performance. Performance against each objective is presented below.
The performance reporting will be presented as per the template in Table 2 below which outlines the manner in which all reporting is done.

Table 2: Template for reporting performance against strategic objectives

Key objective		Measure	Actual	Target
		Description of the supporting measure	Actual achievement	Target as set in the plan
Key strategic perspective	Objective name	Description of the performance The manner in which the measure is calculated		

In addition, the following classification was used by the MHSC to rank and assess performance as shown below.

In order to assist in the Interpretation of the BSC the following legend should be used

Not Achieved target	Achieved Target
Approaching target	Not measured this quarter

Scoring:
Score <75% - not achieved
75%<Score<85% - partially achieved
score >85% - achieved

5.2.1 Customer and stakeholder perspective

Recent management philosophy has shown an increasing realisation of the importance of customer focus and customer satisfaction in any business. These are leading indicators; if customers are not satisfied they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator for future decline, even though the current financial picture may look good. The customer perspective included six key priorities for the MHSC, namely:

1. Promotion of a health and safety culture in the mining industry;
2. Regular and timeous feedback to all stakeholders and customers;
3. Providing advice and reliable information on OHS performance to the Minister of Mineral Resources as well as other stakeholders;
4. Influence OHS performance;
5. Influencing legislation; and
6. Strengthening the tripartite partnerships.

A summary of the performance against these objectives and the strategic perspective shows that the MHSC has made

The most significant achievement was that of the OHS and HIV/AIDS & TB summits held in November 2011. The MHSC did not, however, achieve against the targets for the Influencing legislation objective for the current reporting period, but the topics that are outstanding will be finished early into the new financial year. A detailed account of performance against the customer and stakeholder perspective for the MHSC is provided in Table 3.

Table : Detailed performance against customer and stakeholder perspective

CUSTOMER AND STAKEHOLDER PERSPECTIVE			
Key objective	Measure	Actual	Target
Provide advice and reliable information on OHS	Number of OHS advice reports submitted to Minister	6	6
	This objective has been achieved (100% of target achieved) For the year, the MHSC submitted the following advisory notes to the Minister of Mineral Resources 1. The Culture Transformation Framework 2. Centre of Excellence 3. HIV/AIDS and TB 4. OHS Summit Action Plan in the mining sector advice reports were submitted to the Minister to date 5. The lawsuit filed by Chilean miners against their Government 6. The research programme for 2011/2012 *Measure: Count of advisory notes or reports prepared and addressed to the Minister*		
	Stakeholder survey results	60	65
	The objective was achieved (92% of target achieved) Two surveys were completed for the year, and the results show that the level of awareness from mines as well as some of the stakeholders could be regarded as 'moderately aware'. The MHSC had planned to achieve a score of 65% in the survey and the deviation was as a result of inadequate communication and promotion of the MHSC. This is a core focus area in the new plan for 2012/2013 *Measure: Percentage results of the survey*		
Influence OHS performance	Number of recommendations (legislative) submitted for promulgation	3	6
	MHSC did not achieve this objective (50% of target achieved) The approved legislative topics for the year were: 1. The Airborne Pollutants Guideline 2. Conveyor Belt Regulations 3. Guidelines for Conveyor Three other topics that were planned for the year were: 1. Worker's Incapacity due to ill Health 2. Fitness for Work 3. Shafts and Winders These were not finalised at the time of submission of the Annual Report due to the need for consultation with the various stakeholders. These will be finalised early in the new financial year of 2012/2013 *Measure: Count of legislative topics submitted to the Minister*		

Key objective	Measure	Actual	Target
	Number of occupational health and safety research and other advices issued	6	6
	MHSC has achieved this objective (100% achieved) For the year, the following advisory notes were approved by the MHSC: 1. Heat Stress Management 2. Sources of Crystalline Silica 3. Fatigue Management 4. Hazard Identification and Risk Assessment for Trackless Equipment 5. Rock Engineering and Legislation 6. Research Programme for 2012/2013 *Measure: Count of research advice recommended to and applied by Council*		
Promote health and safety culture in the mining industry	Percentage promotion of the OHS culture framework and plan	70	90
	The MHSC has partially achieved this objective. (77% of target achieved) For the year, the Culture Transformation Framework was completed and signed off at the MHSC Summit. The delay in hosting the summit in November 2011 impacted on the launch of the Culture Transformation Framework *Measure: Progress measured in terms of action steps taken towards the finalisation of CTF and plan*		
Regular and timeous feedback	Implementation of annual compliance calendar Y/N	Y	Y
	The MHSC has met this objective (100% of target achieved) All reporting to the Ministry in line with National Treasury requirements has been met *Measure: In a binary manner "Yes" indexed as 1 and "No" indexed as 0.*		
Strengthen tripartite partnerships	Percentage tripartite initiatives implemented	83	90
	This objective has been met (93% of target achieved) The Summit Action Plan (SAP) was revised and presented at the summit. Of the 36 tasks, 30 were identified as completed or work has been commissioned and requires some additional focus. This was agreed on by the stakeholders in preparation for the Summit. The reason for the deviation was that some aspects were dependant on the launch of the Culture Transformation Framework and since this was only launched in November 2011, some projects could not be delivered on within the required timeframe *Measure: Count of initiatives completed ÷ by total initiatives × 100*		
	Number of high-level tripartite stakeholder engagements	2	2
	This objective has been met (100% of target achieved) A meeting was held with the Minister on 16 August 2011 to discuss the Council programme for the year. In addition, the Summit was held on 17 and 18 November 2011 and all principals attended *Measure: Count of meetings with the Minister*		

5.2.2 Internal process

The objectives of the Internal Business Processes are to focus on strategic priorities for various business processes that create customer and stakeholder satisfaction. The key focus areas for 2011/2012 were to:

1. Have efficient business processes through business efficacy;
2. Increase knowledge leadership by focusing on:
   a. Adopting and sharing of best practices;
   b. Engaging in purposeful research; and
   c. Understanding current and future OHS needs; and
3. Enhance stakeholder and customer relationship management by focusing on stakeholder needs and expectations.

For the 2011/2012 year, the following research projects were completed.

Table 4: List of projects completed during the financial year

SIM 050803	Post-traumatic stress disorders in the South African mining Industry
SIM 040204	Evaluation of shotcrete performance
SIM 050401 Yr 3	Extension - Improved (alternative) ventilation of CM headings in coal mines
SIM 050501 B2.1 Ph 2	NIHL elimination programme - Other noise sources
SIM 060201B Yr 3	Rockfall elimination programme - Managing rockfall risk and the value of spending
SIM 100301	Minimising the seismic risk in the platinum sector
SIM 100601	NIHL and silicosis prevention audit tools for use in all commodities in the SAMI
SIM 100901	Thermal stress awareness
SIM 100903	Requirements for occupational health information management systems
SIM 100904	Personal protective equipment
SIM 110202	Falls of ground
SIM 110501	Improving awareness on noise-induced hearing loss

A summary of the performance against these objectives and the strategic perspective shows that the MHSC made significant achievements in delivery against most of the objectives. A detailed account of performance against the internal business perspective for the MHSC is provided in Table 5.

Table 5: Detailed performance against internal business processes perspective

INTERNAL PROCESSES PERSPECTIVE - EFFICIENT BUSINESS PROCESS			
Key objective	Measure	Actual	Target
Business efficacy	Percentage review of policies and procedures	90	100
	This objective has been met (90% of target achieved) Review of HR and ICT policies is underway. The Supply Chain Management policy and the investment policy have also been revised and approved at the MHSC meeting held on 26 January 2012 *Measure: Percentage of identified policies that have been reviewed*		
	Percentage adherence to processes	95	100
	This objective has been met (95% of target achieved) Number of major internal audit findings on adherence and compliance to policies and procedures *Measure: Percentage of adherence to core processes supporting policy implementation*		
	Percentage adherence to prescribed timeframes	95	95
	This objective has been met (100% of target achieved) All submissions to the Executive Authority were done timeously. The process to deliver on time still require to be entrenched internally and also for Committee work *Measure: Percentage of statutory submissions and meeting packs submitted on time*		
Understand current and future OHS needs	Annual OHS needs analysis completed Y/N	Y	Y
	This objective has been met (100% of target achieved) MHSC approved the needs analysis within the prescribed timeframe *Measure: Annual research programme for Council approval*		
Engage in focused research	Percentage of projects commencing on 1 April	100%	85%
	This objective has been met (100% of target achieved) Achieved in the 1st quarter of the financial year of 2011/2012		
	Percentage project milestones achieved	87.5	80
	This objective has been met (100% of target achieved) This has been achieved for the current projects for 2011/2012 Of the new projects for the 2011/2012 year, only two projects were extended to September 2012. For the year, 18 projects in total were completed *Measure: Overall progress of projects of delivery against project milestones*		
	Champion mine project perception rating	0	80
	This objective was not achieved (0% of target achieved) The survey forms were not developed to undertake the survey. However, in the development of the annual research needs programme, an assessment was undertaken to assess the utilisation of research and research outcomes. The uptake is low (using the outcomes of the two projects) *Measure: Overall survey rating results*		
Adopt and share best practice	Completed best practice survey Y/N	Y	Y
	This objective has been met (100% of target achieved) This was completed and included in the needs analysis approved by MHSC Measure: Count of best practice identified as part of needs analysis		

Key objective	Measure	Actual	Target
	Number of best practices adopted and shared	1	2
	This objective was not achieved (50% of target achieved) Due to capacity constraints, only 50% of the target could be achieved. In May 2011, a workshop was held with MHSC members and other mining stakeholders on the outcomes of the silicosis project on engineering controls *Measure: Count of best practices promoted*		
	INTERNAL PROCESSES PERSPECTIVE - CRM		
Understanding stakeholder needs and expectations	Number of stakeholder interactions	7	9
	This objective has been met (78% of target achieved) A significant number of meetings were held with stakeholders leading up to the summit The CEO met with individual stakeholder meetings also held to address issues. Presentations were provided to Labour as requested The number of meetings held with the various task teams in preparation for the summit impacted on the ability to engage with stakeholder individually *Measure: Meetings with stakeholders to clarify issues*		
	Impact Assessment Survey results	57%	80%
	This objective has been partially achieved (71% of target achieved) A survey was conducted in all regions during the collection of OHS milestone data. It's an indication that, while MHSC work is known in the industry, much more work still needs to be done to promote research outcomes and leading practices. The MHSC had planned to achieve a score of 80% in the survey, and the deviation was as the result of inadequate communication and promotion of the MHSC. This is a core focus area in the new plan for 2012/2013 *Measure: Score obtained in survey*		

5.2.3 Learning and growth

The perspective focuses on the organisation's ability to meet its objectives through appropriate focus on human resources at both the MHSC office as well as within the MHSC and its advisory committees. For the year the MHSC developed three core objectives:

1. Attracting, developing and retaining appropriate staff and committee members
2. Embedding core values
3. Building accountability

A detailed account of performance against the learning and growth perspective for the MHSC is provided in Table 6.

	LEARNING & GROWTH PERSPECTIVE		
Key objective	Measure	Actual	Target
Attract, develop and retain appropriate staff and committee members	Number of vacancies	4	2
	This objective was not met (-100%) This target was not achieved because in many instances, the preferred candidates did not accept the offers. The MHSC has since undertaken job grading and salary benchmarking in order to address this challenge *Measure: Number of vacant positions*		

Key objective	Measure	Actual	Target
	Average time to fill vacancies	60	30
	This objective has not been met (-100%) In the year, key positions remain unfilled despite various attempts to recruit. The primary concern has been the final rejection of the offer by the candidate after all the processes of recruitment and selection. Issues mainly revolved around the salary being offered. In the interim, the MHSC has approved that an HR and Remuneration Committee be established that will focus on issues pertaining to policies, salary adjustments and performance assessment moderations so as to advise the MHSC accordingly on gaps or shortfalls *Measure: Average time taken to fill vacant posts*		
	Percentage of payroll spent on training and development	2.4%	1%
	This objective has been met (200% of target achieved) As at year end, the actual amount spent on training was R273 000 vs. a target of R112 000. This was due to the emphasis that management placed on staff to undergo development and training *Measure: Percentage of payroll per quarter spent on training*		
Embed core values	Employee opinion survey	0%	75%
	The MHSC has not achieved this objective (0% of target achieved)) The survey was completed, but was not processed in accordance with the original intent of measuring the percentage of employee' satisfaction. The plan is to undertake this in the correct manner in future *Measure: % level of employee satisfaction*		
Build accountability	Percentage employees with performance agreements linked to the BSC	100	100
	This objective has been met (100% of target achieved) All employees have signed the Performance Agreements linked to the BSC *Measure: Percentage of employees with performance contracts*		

Issues impacting on the ability to attract as well as retain staff in key posts related to market remunerations. In terms of accountability, the MHSC BSC was cascaded down to the advisory committees as well as the individual staff of the MHSC Office. There is an increased focus to develop a retention strategy in the new financial year that will also focus on recruitment.

5.2.4 Financial perspective

The objectives associated with the financial perspective aim to develop a sound strategy that will ensure financial sustainability whilst minimising the risk to stakeholders as well as the organisation. To this end the MHSC developed the following key activities against which performance was to be evaluated and reported against:

1. Improving revenue collection
2. Improve cost control within the organisation
3. Manage risks

A summary of the performance against these objectives and the strategic perspective shows that the MHSC has reached significant achievements in delivery of revenue collection. The effectiveness of the Debt Management Strategy and other associated initiatives is visible with the improvements in debt management and collection of income. In addition, research expenditure improved dramatically, thus ensuring that there was a minimal carryover of funding of projects that required extensions. A detailed account of performance against the financial perspective for the MHSC is provided in Table 7.

Table 7: Detailed performance against financial perspective

	FINANCIAL PERSPECTIVE		
Key objective	Measure	Actual	Target
Improve revenue collection	Rand value of bad debts	R3 m	R16 m
	This objective has been met (>181% of target achieved) This target related to a need to manage old debtors that related to years ended March 2010 and before. Coordinated efforts of all stakeholders resulted in reducing the outstanding balance *Measure: Allowed value of problem debtors is targeted at R16 million (100% performance balance is R16 million) for year-end but the actual is R3 million (181%) at a positive improvement of R13 million*		
	% revenue collected on time	91%	90%
	This objective has been met (101% of target achieved) For the year, R50 million of the R55 million was collected. This is a result of aggressive debt collection that involved all stakeholders and the MHSC Office *Measure: Revenue collected against total levied amount*		
Improve cost structure	% of committed expenditure spent	71%	85%
	This objective has been met (84% of target achieved) Spending on signed and committed contracts was not realised due to some researchers' inability to meet milestones that could be approved for payments. There is an ongoing process to improve project management processes *Measure: Percentage of total expense actual (R22 261 million) vs. signed contracts (R31 520)*		
	OPEX ratio	0.14	0.2
	The effect of this achievement is at 130% of the target The variance is 0.06 better at 0.14 against a plan of 0.2 *Measure: Variance of actual administration expense to budgeted* *The budget of R31 443 was allowed to be underspent by R25 154 (20%) but actual spending (R27 176) is 14% of budget*		
	Annual budget variance	17%	5%
	This objective has not been met. The result is -240% Underspending on this target is attributed to the late introduction of cost-centre reporting. However, the zero-based budgeting helped to reduce the variance to 17% of the budget. Actual expenditure of R49 437 million gives a variance of 17% and not 5% as per plan and this leads to a negative variance 0f 12% *Measure: Percentage of unspent budget for the year*		
Manage risks	Achieve unqualified audit report	Y	Y
	This objective has been achieved at 100% The MHSC has been able to submit the annual report to the auditor in April already, and the preliminary internal and external audit reports submitted to the audit committee indicate that there is a very high likelihood of receiving a good audit opinion *Measure: Unqualified audit opinion*		

ACHIEVEMENTS OF THE MHSC DURING 2011/2012

ACHIEVEMENTS OF THE MHSC DURING 2011/2012

During the 2011/2012 financial year, the MHSC reached some notable achievements that will have a significant impact on the OHS milestones that were set in 2003 for the sector. To mention a few, these are:

1. Reestablishment of the Mine Health and Safety Council website
2. Completion of research projects and programmes
3. Development of research programmes focusing on Acid Mine Drainage (AMD), Fluid Induced Seismicity, and Personal Protective Equipment for Women
4. Finalisation of the Culture Transformation Framework (CTF)
5. The inclusion of OHS aspects in the Mining Charter
6. The development of commitments for HIV/AIDS and TB for the mining sector
7. Reaffirmation of commitments by stakeholders to the establishment of a Centre of Excellence
8. The hosting of the OHS and HIV/AIDS and TB Summit in November 2011

6.1 Reestablishment of the Mine Health and Safety Council website

The old MHSC website was temporarily suspended while the current one was being developed. Although few administrative and technical challenges are being experienced, the website now provides a portal for stakeholder members and other interested parties to have some insight into the MHSC, its role and some of the outputs.

6.2 Completion of research projects and programmes

In the past there have been significant challenges in project management resulting in projects being extended and largely under-spent. This has negatively impacted on the MHSC with regard to financial expenditure and has hampered the ability to deliver research outcomes in areas of poor OHS performance. Changes in the processes pertaining to the management of research have borne significant improvement in both the financial as well as technical delivery of the projects. Utilisation of external technical subject matter experts has enhanced the quality of delivery from research providers. The focus on the MHSC advisory committees to deliver technical advisory notes to the MHSC stemming from research outcomes has also aided in the dissemination of research to the stakeholders. The challenge remains on the implementation of the research outcomes. However, the requirement of the industry to report on the use of the research projects into the Mining Charter is welcomed and a long needed intervention.

For the 2011/2012 year, the following research projects were completed.

SIM 050803	Post-traumatic stress disorders in the South African mining industry
SIM 040204	Evaluation of shotcrete performance
SIM 050401 Yr 3	Extension - Improved (alternative) ventilation of CM headings in coal mines
SIM 05050 1B2.1Ph 2	NIHL elimination programme - Other noise sources
SIM 060201 B Yr 3	Rockfall elimination programme - Managing rockfall risk and the value of spending
SIM 100301	Minimising the seismic risk in the platinum sector
SIM 100601	NIHL and silicosis prevention audit tools for use in all commodities in the SAMI
SIM 100901	Thermal stress awareness
SIM 100903	Requirements for occupational health information management systems
SIM 100904	Personal protective equipment
SIM 110202	Falls of ground
SIM 110501	Improving awareness on noise-induced hearing loss

The following pages provide a selection of some of the completed projects, which have been expanded on to provide readers with an understanding of what these projects entail.

6.2.1 Noise-induced hearing loss and silicosis prevention audit tools for use in the South African mining industrySummary

The 2003 Mine Health and Safety Summit set milestones for the South African mining industry that were aimed at reducing and ultimately eliminating noise-induced hearing loss (NIHL) and silicosis among miners.

The SIM 10-06-01 project that was commissioned by the 2007 Safety in Mines Research Advisory Committee (SIMRAC) established baseline noise and dust levels in the industry and developed research data-collection tools to benchmark the mining industry's compliance with both national and international standards for best practice in the two fields of NIHL and silicosis prevention. It was recommended that the research data-collection tools be revised into audit/performance measurement tools that were practical and accessible for use by the mining sector and that would facilitate the standardised evaluation of compliance with the current legislation by both the Mine Health and Safety Inspectorate (MHSI) and by mines in all commodities and of all sizes.

The methodology used for the study of SIM 10-06-01 was as follows:

- Firstly, the research data-collection tools were converted into audit/performance tools by removing international standards and updating the information in both the audit tools and the training materials with the latest knowledge of best practice.
- Secondly, the audit/performance tools were piloted at MHSI regional offices to evaluate their usefulness and to incorporate suggestions about the wording. The need for standardised audit tools was expressed by most regions and a willingness to implement these audit tools was indicated by most regions.
- Thirdly, the audit/performance tools were piloted at a sample of mines representative of the South African mining industry. Suggestions for further refinements for the audit/performance tools to be practical and changes for more accessible language and relevance were gathered.
- Finally, the research team was also tasked with investigating how the audit/performance tools could be integrated into SAMSHA and with making recommendations for a web-based upload of results by both MHSI inspectors and mine occupational hygienists.

Final versions of audit/performance tools

- On the basis of new developments in regulations and on the results of the surveys conducted at the regional MHSI offices and at the participating mines, the audit/performance tools were revised.
- The audit/performance tools were named NoiseCAT and DustCAT, being acronyms for “Noise Compliance Audit Tool” and “Dust Compliance Audit Tool”.
- A percentage-based scoring system for the audit/performance tools was developed.
- The audit tools were then formatted into an Excel® spreadsheet format for automatic scoring of each subsection and of the overall audit tool.
- The DustCAT and the NoiseCAT were each finalised with 108 and 111 questions in 13 subsections, respectively.

Guidance notes and training materials for best practice in NIHL and silicosis prevention

- A set of guidance notes for use with each of the two audit/performance tools was developed. NIHL and silicosis prevention training materials were also developed to support the MHSI in its mission to support the industry and to assist occupational hygiene practitioners in the mining industry with relevant materials for continuing professional development.

Technology transfer workshop

- A workshop was held to launch the NoiseCAT and DustCAT audit/performance tools, where the content of the tools and the training materials were explained to delegates from both the MHSI and the mining industry. Delegates were encouraged to use the tools and to provide feedback to SIMRAC in order to work towards NIHL and silicosis prevention in the mining industry.

6.2.2 Minimising the increasing seismic risk in the platinum sector

Summary

The seismic and rockburst data made available by the Council for Geoscience and collaborating mines in the Rustenburg area show fluctuations over recent years, but not necessarily an alarming trend for the near future. Some shafts experienced general increases in events M>1, the magnitude range widely seen as responsible for most rockbursts; other shafts experienced reductions. The event rate normalised by production is 2 to 3 events M>0 and 0.2 to 0.4 events M>1 per 1 000m^2 mined, roughly five to ten times lower than in an ultra-deep West Wits gold mine. The most rockburst-prone shaft in the study area experiences rockburst frequencies per area mined similar to those in the West Wits mine, but rockburst injury rates are significantly lower.

On the investigated platinum mines, rockbursts are almost exclusively associated with in-stope pillars: Three quarters are on-reef pillar failures, a further 20% are pillar foundation failures. Geological discontinuities (minor faults and dykes, joint sets, potholes and domes) are found to be associated with roughly one fifth of investigated rockbursts.

Taking all seismic events into account, not only damaging events, 70 to 90% have a burst-type failure mechanism with some variation depending on the shaft. The magnitude range of most damaging events lies roughly between 0.5 and 3, but can stretch to below -1.5 as is the case with gold mines. The typical Western BVC rockburst results in on-reef damage either close to the face or in the back area. On at least one of the shafts, damage to tunnels, crosscuts and raises is more frequent than to the face area.

Rock ejection and shake-down are the most frequent damage mechanisms, while bulging, buckling, lifting and dynamic closure all play minor roles. Depending on the shaft, 5 to 20% of reported rockbursts result in injuries compared to 75% on an ultra-deep West Wits gold mine. In general, identified as leading indicators for rockbursts were mixed mining directions in a panel set, an extraction ratio >80% within a 200x200m area of a pillar, the formation of abutments and poor face shape control, and the placing of tunnels close to mining abutments.

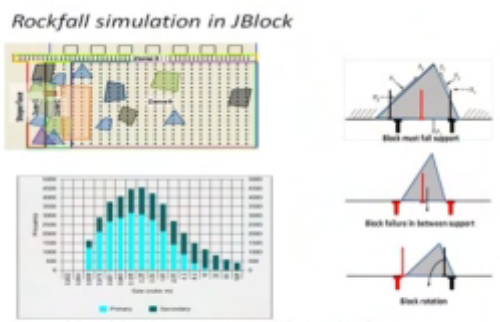
The capacity to quantify seismic hazard and rockburst risk on the collaborating mines offers opportunities for improvements. Even though the quality standards of seismic data are generally high, routine and ad-hoc data analysis and reporting are not subject to rigorous performance assessments. Daily polygon assessments perform better in predicting safe periods (green ratings) than unsafe periods (orange or red).

- Mine layout and mining practice offer a range of opportunities to reduce seismic rock mass response and rockbursting.
- In-stope pillars created along the south-side of gullies should be cut according to standard; layouts based on smaller pillars attract fewer rockbursts than those based on larger pillars, (oversized crush pillars seem safer than oversized yield pillars).
- Macro-layouts should define overall mining configuration (V-shape, mining from the centre outwards); preferred panel configurations should be defined; a lead/lag range of 5-10m introduced and adhered to.
- Holing between raise lines should be optimised and remnant creation avoided.
- The mix of mining directions within the same panel set should be reduced.
- Stabilising pillars should be introduced to remove some of the vertical stress load on faces and instope pillars.
- Placement of tunnels less than 20m below reef and within the zone of influence of mining abutments should be avoided.
- Exposure of norite in the hanging wall above gullies decreases ground stability.

6.2.3 A risk-based approach to enhancing support design in bushveld underground mines

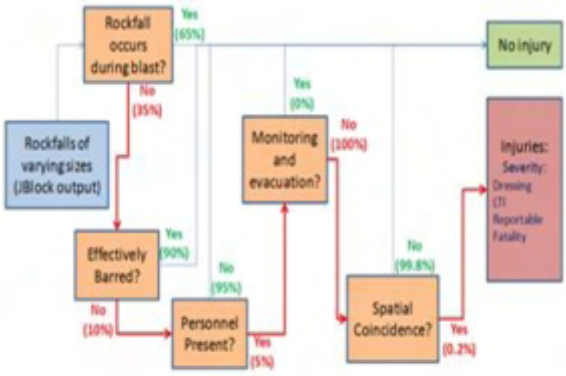
A risk evaluation model has been developed, which enables the quantification of expected injuries and

economic losses resulting from rockfalls associated with a support system in a given geotechnical environment. This enables the comparison of different support systems based on the expected frequency of injuries and the total cost of the support system, including the expected economic losses. The model takes into consideration the variability in joint orientations and joint strength within the geotechnical environment and the variability and quality of support systems. The existing software, JBlock, was enhanced to perform the rockfall simulation. This tool can now be used to test and design support to cater for the full range of rockfall sizes that can be anticipated in a geotechnical environment. The simulated rockfalls can now be normalised by the area mined.



The consequences of these rockfalls are evaluated using the new software RiskEval. The frequency of injuries is simulated by considering the temporal and spatial exposure of personnel. The expected losses associated with dilution, re-supporting, loss production and loss of sweepings can be evaluated for each rockfall and accumulated. Importantly, rockfalls located in different zones within the stope panel have different consequences and are evaluated accordingly.

Underground mapping of joints and rockfalls was carried out to provide data for field calibration of the model. This survey was limited to small rockfalls, due to the relatively short period of mapping. Therefore the model was also correlated with rockfall and rockfall injury data collected by mine personnel. The analyses showed that the model provides a reasonable estimate of the expected frequency and size of rockfalls and the frequency of rockfall injuries, but further work is required to enhance the model. The method of data collection is described in detail, which will be useful for anyone attempting this type of analysis.



Event tree for injuries and fatalities

Sensitivity analyses were conducted to show the effect of various input parameters:

- clamping stress;
- profit margins
- quality of support installation
- flexibility (spare stopes)
- effectiveness of barring

Three case studies are presented, which the show the benefits of improved support systems from both economic and safety perspectives. Several different support systems were evaluated and compared in each of three different geotechnical environments. The model clearly shows the expected frequency of injuries and economic losses for each support system, which enables a fair comparison of each support system.

6.2.4 Personal protective equipment for women in the South African mining industry

Historically, the mining industry has been a male-dominated sector. Women in mining have special health and safety needs resulting from their unique anatomical and physiological makeup. The provision of appropriate PPE for women in mining (WIM) is essential. Also, there is

a paucity of published data on the health and safety concerns and issues of women in mining.

This project aimed to develop comprehensive and systematic requirements to assist the mining industry in the selection and provision of appropriate and suitable PPE for WIM.

As a preliminary step within this project, a review of both national and international predecessor research outcomes, was conducted.

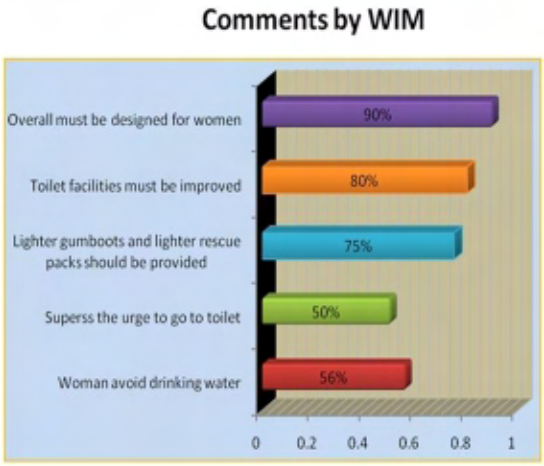
Findings of the literature review revealed that PPE available for use in the mines and other heavy-duty work environments such as the construction industry do not fit female workers as most of it is designed based on male population characteristics.

This implies that female mine workers do not have adequate protection against risks from work-related hazards while their personal comfort and work performance may be compromised.

Also, literature showed that the selection, provision and use of PPE in the workplace should not only be based on hazard identification and risk assessment processes, but should incorporate ergonomic and comfort aspects of users so as to guarantee PPE efficiency for all workers.
This approach will ensure that the specificities of female anthropometrics are accommodated without making gender an issue in the workplace.

Findings clearly indicate that WIM are facing health and safety challenges related to PPE they currently use; because it was designed for the male physique/body structure.
It is also evident that WIM are dissatisfied with PPE primarily because of issues related to poor fitting. Consequently, they have been diagnosed with various types of illnesses as well as infections, chaffing and rashes.

The situation is further exacerbated by the unique coping mechanisms (e.g. use of nylon tights and thick wool socks as undergarments) that WIM have been compelled to rely on in order to adjust/correct the ill-fitting PPE. These unorthodox adjustments further increase the risk of resulting infections, chaffing and rashes.



Results further revealed a generalised lack of adequate toilet facilities for women in the mines surveyed. These unacceptable hygiene conditions pose a specific risk for women with regard to developing infections.

Also, undergarments (underwear) that WIM use to adapt to their PPE contribute to their health problems, including infections, chaffing and rashes.

Evidently the results indicate the need for greater focus on the health needs of WIM. In addition, findings indicate a need to redesign PPE for WIM to accommodate their anatomical and physiological body structures, to ensure proper fit, comfort and maximum protection from mining hazards.

Currently, the MHSA does not regulate the provision of PPE for different gender groups, and specifically for women in mining. However, section 1 of the MHSA stipulates that “employers are obliged to ensure and promote the health and safety of their employees”.

Based on the findings of this study, there is the need to regulate the mining sector specifically with respect to the provision of health and safety equipment and facilities for women in mining.

Lastly, based on the findings of this study, it is recommended that the requirements for the selection and provision of PPE for WIM developed as the primary output of this project, be used as a minimum standard for compliance with the provision of appropriate PPE for women in the mining sector.

6.3 Development of research programmes outside of the traditional OHS areas pertaining to mining

In the past, MHSC research projects have been focused on direct mining related matters. In the 2011/2012 research cycle, two projects were initiated that were related to mining but had consequences far beyond the lease area of a mine site. These projects were associated with AMD. The first project focuses on AMD and the impacts on health – particularly on the communities immediately surrounding the mining areas. This project is a two-year study and will be concluded in 2013. The second project is also associated with water flow in mines, and in concentrating on the risk of fluid-induced seismicity from mines that have been abandoned or allowed to flood. The first year of the three-year programme has been completed.

6.4 Finalisation of the Culture Transformation Framework

Principals of the industry after signing off the Culture Transformation Framework (CFT)

The CTF for the mining sector was finally approved by the MHSC for implementation. Over the years, the focus has been on improving workplace health and safety by controlling risks through technical aspects or the design of systems and controls. It has become increasingly important to focus on organisational factors that have an impact on the outcome of health and safety performance, with health and safety culture recognised as having a definitive impact on the outcome of the incident. To this end, the MHSC undertook the project Changing Minds, Changing Mines with the aim of developing a framework that would guide the South African mining sector into making a revolutionary change towards attaining zero harm in the sector. For the purpose of this framework, the term "health and safety culture" encompasses:
"the extent to which individuals and groups will commit to personal responsibility for health and safety; act to preserve, enhance and communicate health and safety concerns; strive to actively learn, adapt and modify (both individual and organisational) behaviour based on lessons learned from mistakes; and be rewarded in a manner consistent with these values."

Table 7 shows the pillars that were identified from the CTF for the sector.

Table : Pillars for the Culture Transformation Framework

Pillar	Intention
1. Integrated mining activities	We will base mining activities on the recognition that health, safety and production are not competing objectives. Safety and health are the outcomes of work well done.
2. Risk management	We will seek to eliminate risks at their source and investigate the root causes of incidents.
3. Technology	We will adopt mechanisation and technology as a key method of eliminating health and safety risks to mine employees.
4. Leading practice	We will take a common approach to identifying and facilitating the adoption of leading OHS practices and research outcomes.
5. Elimination of discrimination	There will be no racism, genderism and any forms of unfair discrimination.

6. Bonuses and performance incentives	We will ensure that ZERO HARM is prioritised ahead of production.
7. Tripartism	Government, labour and employers will regularly engage to pursue common objectives and goals for the mining industry in a joint consensus-seeking manner.
8. Regulatory framework	We will develop clear, concise and understandable legislation that includes enforceable minimum standards.
9. Inspectorate	We will create an effective, well-resourced inspectorate that can protect people at and around mines with integrity and job pride.
10. Data	We will establish a data system that allows effective and timely collection, capture, analysis, communication, dissemination and use by the industry of mine health and safety information.
11. Leadership	Our leaders will lead by example in walking the ZERO HARM talk.

6.5 The development of commitments for HIV/AIDS and TB for the mining sector

Stemming from work that was commissioned through the Department of Mineral Resources to review the status of HIV/AIDS and TB in the South African mining sector, the MHSC, through its committees, developed an HIV/AIDS and TB Action Plan that the principals signed at the November 2011 Summit with the aim of improving the situation with regard to HIV/AIDS and TB. The aims of the plan are:

1. To improve the situation of HIV/AIDS and TB in the South African Mining Industry;
2. To significantly improve the lifestyle of mine workers; and
3. To lead to focused action in the fight against HIV and TB.

6.6 Reaffirmation of commitments by stakeholders to the establishment of a Centre of Excellence

At the MHSC Summit held in 2008, stakeholders agreed to an action-driven plan as a means to achieve the significant improvements which are required in mine health and safety performance. The key themes of the actions that were identified are:

1. Strengthening the culture of health and safety;
2. Promoting a learning industry and building capacity ; and
3. Making workplaces safer and healthier.

Minister of Mineral Resources: Susan Shabangu signing the CoE pledge

Within the theme of promoting a learning industry and building capacity, it was proposed that a Centre of Excellence (CoE) be established to conduct research, capacity building and facilitate implementation of research outcomes for the mining sector. The rationale for a Centre of Excellence is to create an opportunity to optimise resources through:

1. Creating economy of scale and focus in key thematic areas;
2. Enhancing capacity by drawing on existing research strength, infrastructure, and other funding sources;
3. Attracting and retaining top research talent in mining research with particular emphasis on health and safety research;
4. Providing high-quality training in innovative and internationally competitive research;

5. Strengthening domestic collaboration to address significant research needs; and
6. Developing beneficial relationships with major international centres and research programmes.

At the MHSC Summit of November 2011, the stakeholder principals committed amongst others that the Centre of Excellence will be operational by no later than 1 January 2013, having done the following:

1. Conducting a study of organisational and operational models including national and international study tours by no later than 30 June 2012.
2. Stakeholder principals approving a model and institutional involvement by no later than 30 April 2012.
3. Developing appropriate Service Level Agreement(s) and Business Plan(s) by no later than 30 September 2012.

6.7 The hosting of the OHS and HIV/AIDS and TB Summit in November 2011

In line with the achievement of the OHS milestones that have been set for the industry, the MHSC hosted a two-day summit on OHS as well as HIV/AIDS and TB on 17 and 18 November 2011 respectively. The theme of the summit was ZERO HARM THROUGH ACTION. The summit was well attended by the MHSC stakeholders with the Minister of Health being one of the key speakers.

At the summit, the principals of the various stakeholders signed documents that reaffirmed some of the previous commitments as well as new commitments on the Culture Transformation Framework, the HIV/AIDS and TB and Silicosis Plan, the Centre of Excellence, and the OHS Summit outcomes.

Minister of Mineral Resources delivering a keynote address during the Summit

Delegates during the proceeding of the Summit

6.8 Support and recognition

Collaborative efforts of members of MHSC, Advisory Committees and staff of the MHSC Office in attaining the achievements are gratefully and duly acknowledged.

Acting Chief Executive Officer

David S Molapo
31 May 2012

Annual Financial Statements

For the year ended 31 March 2012

STATEMENT OF RESPONSIBILITY

The Council diligently carried out its affairs in accordance with sections 50–55 of the Public Finance Management Act, other related governance guidelines and principles and other applicable legislation.

In its oversight responsibility in relation to effective and efficient financial management practices, good systems of risk management and internal controls, the Council members were satisfied with the reports of the audit and risk committee as informed by the work of internal auditors.

The attached annual financial statements were prepared in line with the requirements of section 51 of the Public Finance and Management Act (PFMA), approved by Council on 29 May 2012, and are signed on its behalf by:

Acting Chief Executive Officer
David S. Molapo

Date: 31 May 2012

Chairperson of the Council
David Msiza

Date: 31 May 2012

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Mine Health and Safety Council (MHSC) set out on pages 39 to 73 which comprise the statements of financial position as at 31 March 2012, the statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa (Act No.1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, wether due to fraud or error.

Auditor-General's responsibility

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

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

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mine and Safety Council as at 31 March 2012 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matter

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

Restatement of corresponding figures

8. As disclosed in note 21 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of an error discovered during year of 31 March 2012 in the financial statements of the Mine Health and Safety Council at, and for the year ended, 31 March 2011

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Predetermined objectives

10. I performed procedures to obtain evidence about the usefulness and reliability of the information in the report on the pre-defined objectives for MHSC as set out on pages 9 to 17 of the annual report.

11. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to wether the reported performance is consistent wiht the planned objectives. The usefulness of information further relates to wether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.
    The reliability of the information in respect of the selected objectives assessed to determine wether it adequately reflects the facts (i.e. wether it is valid, accurate and complete).

12. There were no material findings on the report on pre-defined objectives of MHSC concerning the usefulness and reliability of the information.

Additional matters

13. Although no material findings concerning the usefulness and reliability of the performance information was identified in the report on pre-defined objectives of MHSC, I draw attention to the following matter below.

Achievement of planned targets

14. Of the total number of planned targets only 20 targets were achieved during the year under review. This represents 33% of total planned targets that were not achieved during the year under review.

Compliance with laws and regulations

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

Annual Financial statements

16. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(a) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contact management

17. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by Treasury Regulation 16A6.1.

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

19. Contracts and quotations were awarded to bidders based without the scoring points given for criteria being having been stipulated in the original invitation for quotations, in contravention of Treasury Regulations 16A6.3 (b) and the Preferential Procurement Regulations.

Expenditure management

The accounting authority did not take effective and appropriate steps to prevent irregular expenditure, as per the requirements of section 51(1)(b)(ii) of the PFMA.

Internal control

20. I considered internal control relevant to my audit of the financial statements, report on performance against pre-defined objectives and compliance with laws and regulations.

    The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the findings on compliance with laws and regulations included in the report.

Leadership

21. The irregular expenditure could have been prevented if there had been appropriate oversight responsibility regarding compliance with laws regulations over expenditure management.

Financial and performance management

22. Non compliance with laws and regulations could have been prevented had compliance with laws and regulations regarding procurement and contract management been adequately monitored and reviewed.

23. Material adjustments to financial statements could have been prevented had the entity implemented effective controls over the monitoring and reporting of research commitments.

Auditor-General

Pretoria

31 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE MHSC AUDIT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2012

We are pleased to present our report for the financial year ended 31 March 2012.

Audit Committee Members and Attendance:

The Audit Committee operates in accordance with a written charter approved by the Council, and provides assistance to the Council with regards to compliance to all the necessary and appropriate regulatory frameworks. The Audit Committee adequately addressed its responsibilities in terms of the charter during the period under review. The Audit Committee met six (6)times during the period under review. The committee comprises of members nominated by Council stakeholders and independent members. It is chaired by an independent chairperson.

Member Name per Stakeholder grouping State	Total number of scheduled meetings	Total Meetings Attended	Comments
Ms. B. Gumbu	6	1	Member from 13 January 2012
Employers			
Mr. H. Groenewald	6	3	
Employees			
Mr. J. Hugo	6	4	
Independent Members			
Ms. L. Fosu	6	3	Chairperson until 28 July 2011
Mr. Z. Fihlani	6	6	
Ms. T. Sihlaba	6	5	Acting Chairperson from 14 October 2011

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the Public Finance Management Act, as amended (PFMA) and Treasury Regulations 27.1.7 and 21.1.10(b) and (c).

s51(1)(a)(ii) of the PFMA states the following:

(a) The accounting authority must ensure that the public entity has and maintains -

(i) effective, efficient and transparent systems of financial and risk management and internal control;

(ii) a system of internal audit under the control and direction of an Audit Committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77, and

(iii) an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The Audit Committee is of the opinion, based on the information and explanations given by management and the internal auditors on the results of their audits and the status in addressing the matters raised, that the internal accounting controls are operating satisfactorily, to ensure that the financial records may be relied upon for preparing the annual financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The quality of in-year management and monthly and quarterly reports submitted in terms of the PFMA

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Council during the year under review.

Evaluation of financial statements

The audit Committee has reviewed and discussed the audited financial statements to be included in the annual report with the Accounting Officer.

The Audit Committee has:

- reviewed the Auditor-General's management letter and management's response thereto; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs with the final audit opinion from the Auditor-General's conclusions on the annual financial statements.

Internal audit

The Committee is satisfied that the internal audit function is operating effectively and that it continues to provide assurance in relation to the risks pertinent to the MHSC in its audit.

Ms. T Sihlaba
Chairman of the Audit Committee

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31 July 2012

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

In accordance with the Public Finance and Management Act and the King III report, the Council reviewed processes followed by management in identifying and mitigating risks, and the reports of the audit and risk committee as regards the effectiveness of the systems of internal controls and risk management. The Council approved the yearly events calendar that ensured that reporting was done as per legislation. The Council approved policies that served to create certainty, fairness, accountability, responsibility and transparency. During the year the following policies were revised:

1. Supply Chain Management Policy;
2. Investment Policy;
3. Performance Management Policy;
4. Disaster Recovery Framework;
5. Business Continuity Framework;
6. Debt Management Strategy;
7. Strategy and Information Technology Governance Framework; and
8. Risk Assessment Framework.

Before the start of the financial year, the MHSC approved the strategy and structure of the MHSC. It is against this strategy that the monthly and quarterly performance was measured. Though there is still room for improvement and without being complacent, the MHSC is happy that a foundation that will help to deliver on the mandate of the MHSC has been laid.

8.1 Council effectiveness

The Council engaged the services of a strategy development consultant to appraise and advise on the most effective models for the Council and its committees. This process led to the adoption and approval of Council effectiveness documents such as:

1. Council charter
2. Code of practice for Council and committees
3. Role of chairpersons
4. Role of members
5. Competency requirement for members

The table below shows the Council members and the number of meetings that were held during the year.

The Council engaged the services of an independent service provider to conduct appraisals for the Mine Health and Safety Council and the Audit and Risk Committee. The report will be available on 31 May 2012.

8.1.1 The Mine Health and Safety Council

The MHSC board is made up of 15 members as follows:

- Four members from state (Department of Mineral Resources)
- Five members from organised labour (National Union of Mine Workers (NUM), The Union (UASA), and Solidarity)
- Five members from employers (the Chamber of Mines)
- The MHSC is chaired by the Chief Inspector of Mines

Table 9: Attendance of MHSC members

Member name per stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr D Msiza	6	4	For meetings not attended, the Acting Chairperson attended
Mr T Dube	6	6	
Mr S Mkhonto	6	2	Alternate attended for meetings not attended
Dr D Mokoboto	6	4	

Organised labour			
Mr M Nhlapo	6	4	Alternate attended for meetings not attended
Mr E Gcilitshana	6	3	
Mr P Hlabizulu	6	4	
Mr F Stehring	6	2	Alternate attended for meetings not attended
Mr L McMaster	6	4	Alternate attended for meetings not attended
Employers			
Dr T Balfour-Kaipa	6	6	
Mr H Rex	6	2	Member as of 23 May 2011
Mr T Masondo	6	5	
Mr HC van der Merwe	6	3	Alternate attended for meetings not attended
Mr M Munroe	6	3	Alternate attended for meetings not attended
Mr I Mofokeng	6	0	Member until 23 May 2011

8.1.2 Audit and Risk Committee (ARC)

The Committee is constituted to review the control, governance and risk management within the Institution, established in terms of section 77 of the Public Finance Management Act (PFMA). Attendance is reflected in Table 10 below.

Table 10: Attendance of ARC members

Member name per stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Ms B Gumbu	6	1	Member from 13 January 2012
Employers			
Mr H Groenewald	6	3	
Employees			
Mr J Hugo	6	4	
Independent members			
Ms L Fosu	6	4	Chairperson until 28 July 2011
Mr Z Fihlani	6	6	
Ms T Sihlaba	6	5	Acting Chairperson from 14 October 2011

8.1.3 Safety in Mines Research Advisory Committee (SIMRAC)

This committee is responsible for advising the MHSC on research programmes needed to improve OHS in the mining sector by reviewing OHS risks based on the statistics of prior years and evaluating research proposals. Table 11 below shows SIMRAC members and the number of meetings held during the year.

Table 11: Attendance of SIMRAC members

Member name per stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Mr T Dube	7	6	
Ms N Masekoa	7	7	
Ms P Mnisi	7	2	
Mr T Motitimi	7	5	
Mr J Jooste	7	4	
Ms C Kekana	7	4	
Organised labour			
Mr E Gcilitshana	7	0	
Mr A Rikhotso	7	5	
Mr L McMaster	7	4	
Mr M Nhlapo	7	1	Member up to 30 June 2011
Mr W Rymon-Lipinski	7	6	Member from 1 July 2011
Mr I Sakala	7	1	
Employers			
Mr D Labuschagne	7	1	Member up to 30 June 2011
Mr K Baloyi	7	4	Member from 1 July 2011
Prof. J du Plessis	7	3	
Mr I Goolam	7	6	
Mr B Chicksen	7	3	
Dr B Madolo	7	2	

8.1.4 Mining Regulation Advisory Committee (MRAC)

The advices to the MHSC on reviewing, developing or amending legislation that impact OHS in the South African mining industry come from MRAC. In addition, the committee also considers and develops guidelines for Codes of Practice. Table 12 below shows members of MRAC and the number of meetings held during the year.

Table 12: Attendance of MRAC members

Member name per stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Dr D Mokoboto	4	4	Chairperson until 31 January 2012
Dr L Ndelu	4	1	Chairperson from 1 February 2012
Ms A van der Merwe	4	3	
Mr J Legadima	4	3	
Ms O Masekoa	4	3	

Organised labour			
Mr A Letshele	4	4	
Mr D Selebogo	4	4	
Mr M Mira	4	3	
Ms H van Vuuren	4	2	
Mr N Naude	4	0	
Employers			
Dr K Baloyi	4	4	
Dr DB de Villiers	4	4	
Dr C Mbekeni	4	2	
Dr M Radaba	4	1	
Dr C Badenhorst	4	3	
Mr M Beukes	4	3	

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

This is the newest committee of the MHSC, and focuses on the TB and HIV/AIDS policies in order to improve the health and safety performance of the mining industry. The Committee composition for the year is depicted in Table 14.

Table 13: Attendance of MITHAC members

Member name per stakeholder grouping	Total number of scheduled meetings	Total meetings attended	Comments
State			
Dr D Mokoboto	8	5	Alternate attended meetings not attended
Mr M Sekoele	8	7	
Mr N Singh	8	4	Alternate attended meeting not attended
Ms A Merwe	8	5	
Mr T Mbengashe	8	0	
Organised labour			
Mr L Mekuto	8	7	
Ms H van Vuuren	8	7	
Mr C Mkhumane	8	2	
Mr AThobela	8	3	
Mr I Sakala	8	2	
Employers			
Dr K Baloyi	8	7	
Dr L Rametsi	8	4	
Dr J Steele	8	6	
Ms S Ntimbane	8	4	
Dr B Ramantsi	8	1	

8.2 Operating and financial performance

The MHSC is satisfied with the effect that the improved internal controls, risk management and financial management have had on the performance for the year. To date, R65 million of the previous surplus funding has been earmarked for funding of the OHS and HATS summit resolutions. There has been a remarkable decline in the outstanding balances against signed contracts. However, the amount of uncommitted funds at year-end still posed challenges.

The 2011/12 financial year also saw a marked improvement in revenue management. From the R55 million that was levied, a balance of R5 million was outstanding at year-end. At 31 March 2011, the MHSC approved a processing of R15 million as a provision for bad debts against debtors that had been outstanding since 2009 and 2010 financial years.

R6 million of these was collected via debt collectors during the 2011/12 financial year; the MHSC approved that all confirmed uncollectable debt had to be written off against the previous provision.

The MHSC is satisfied that the financial statements show a healthy financial status with net assets of R140 million and that the funds that are available for its mandate stand at a value of R93 million (note 16.2). There is also a safety margin of about R30 million. This margin is adequate to fund the MHSC's working capital requirements whilst invoicing and collections for the 2012/13 financial are taking place.

Chairperson of the Council
David Msiza

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 R'000	2011 R'000
Income		69 275	63 883
Revenue from non-exchange	2	60 583	57 020
Revenue from exchange transactions			
Finance income	3	7 905	6 500
Other income	4	787	363
Expenditure		48 500	51 329
Research expenditure	5.4	22 261	21 459
Administrative expenses	5.5	13 010	18 870
Staff costs	5.6	12 157	9 055
Depreciation and amortisation	8 & 9	1 945	860
Promotion of health and safety	5.7	-	130
Finance costs	5.8	(873)	955
Surplus for the year		**20 775**	**12 554**

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Note	2012 R'000	2011 R'000
Assets			
Current assets		148 103	122 896
Cash and cash equivalents	6	144 259	116 921
Receivables (non-exchange)	7	1 474	4 837
Other receivables (exchange)	7	2 217	1 138
Consumables		153	-
Non-current assets		10 723	4 136
Property, plant and equipment	8	10 589	3 905
Intangible assets	9	134	231
Total assets		**158 826**	**127 032**
Liabilities			
Current liabilities		17 271	6 391
Trade and other payables (exchange)	10	12 420	3 184
Unallocated deposits (non-exchange)	10	49	52
Unutilised administrative fines (non-exchange)	11	3 892	2 333
Provisions	12	839	763
Finance lease current liability	14	71	59
Non-current liabilities		1 204	1 065
Post-retirement medical aid	13	1 195	1 001
Finance lease non-current liability	14	9	64
Net assets		140 351	119 575
Accumulated surplus		140 351	119 575
Total net assets and liabilities		**158 826**	**127 032**

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2012

	Note	Accumulated Surplus
		R'000
Balance at 31 March 2011		120 319
Prior year adjustment	21	(743)
Restated balance at 31 March 2011		119 576
Surplus for the year		20 775
Balance at 31 March 2012		**140 351**

STATEMENT OF CASHFLOW

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 R'000	2011 R'000
Cashflows from operating activities			
Cash receipts from mines		59 409	51 614
Cash receipts from other sources		6 003	6 674
Cash paid to suppliers and employees		(36 937)	(46 180)
Cash generated from operations	15	28 475	12 108
Interested earned		7 525	6 388
Net cashflows from operating activities		**36 001**	**18 496**
Cashflows from investing activities			
Additions to plant and equipment	8 & 9	(8 621)	(2 852)
Insurance proceeds		2	-
Net cash outflows from investing		**(8 618)**	**(2 852)**
Cashflows from financing activities			
Finance leases		(45)	(65)
Net increase in cash and cash equivalents		27 337	15 644
Cash and cash equivalents at beginning of year		116 921	101 342
Cash and cash equivalents at end of year	**6**	**144 259**	**116 921**

1. Accounting policies

The annual financial statements incorporate the principal accounting policies set out below.

1.1 Basis of preparation

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

1.1.2 Specific information has been presented separately on the statement

- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable; and
- Trade and other payables from non exchange transactions.

1.1.3 Going concern

The financial statements have been prepared on a going-concern basis.

1.2 Currency

All amounts have been presented in the South African Rand (R) and amounts have been rounded to the nearest thousand ('000).

1.3 Comparative figures

Prior period comparative information has been presented in the current year's financial statements. Where necessary, figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format of the current year's financial statements.

Material prior period errors are corrected through the restatement of the comparative figures.

1.4 Taxation

The Council does not pay income tax, as it is exempted in terms of section 10(1)(ca)(I) (aa) of the Income Tax Act (Act No. 58 of 1962, as amended).

1.5 Related parties and key management transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions or if the related party entity and another entity are subject to common control.

The Council operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government in South Africa, only parties within the national sphere of government will be considered to be related parties.

Only those transactions that are not at arm's length or not in the ordinary course of business are disclosed as related party transactions.

Key management is defined as being individuals (including their close family members) with the authority and responsibility for planning, directing and controlling the activities of the entity. The Chief Executive Officer, the Chief Financial Officer and the Chief Research and Operations Officer are the only executive positions regarded as being at key management level. Council members are also regarded as key management.

Close family members of key management are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

1.6 Post-employment benefit plan

The Council operates a defined benefit medical aid plan. The defined benefit obligations in terms of the post-retirement medical aid, the related current service cost, and where applicable, the past service cost, are determined by using the projected unit credit method.

The valuation is based on an employer subsidy of 100% of Liberty Life Medical Scheme membership costs in retirement for members on the Liberty Platinum Plus option. In case of death of principal member, his/her dependents may continue membership, in which case the subsidy will continue at 70% of the membership costs. The employer subsidy increases on 1 January each year with the next increase due on 1 January 2013. Details of the subsidy policy, including contribution rates, are provided in note 13.

The discount rate has been determined by reference to market yields at the balance sheet date of South African long-term bonds.

General increases to the employer's medical aid subsidy ("subsidy inflation") take into account the estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

There are currently no assets specifically earmarked to back the past service liability. The plan is thus not funded.

The accrued service liability (also referred to as the present value of the obligation, or the past service cost) is calculated as the present day value of the employer's subsidy to current in-service members which is deemed to have accrued at 31 March 2012. (The subsidy is deemed to accrue with each completed year of service from the date of employment up to the retirement date.)

1.7 Significant judgements In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses, and related disclosures. Historical experience and various other factors believed to be reasonable under the circumstances are used in these instances. Actual results in the future could differ from these estimates. Significant judgement has been exercised in determining the following:

1.7.1.1 Fair value estimation

The amortised cost (using the effective interest method), less impairment provision of trade receivables and payables are assumed to approximate their fair values. The present value of future cashflows (using the effective interest method), is assumed to approximate the fair value of revenue and purchase transactions.

1.7.1.2 Impairment testing

The entity makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cashflows from financial assets, and in determining the recoverable amounts of cash-generating units and individual assets.

1.7.1.3 Property, plant and equipment

Residual values of items of property, plant and equipment are zero because these assets are donated at the end of their useful lives. At each reporting period, useful lives are assessed through assessment of the physical condition and the planned replacement period.

1.7.1.4 Post-retirement benefit obligation

Certain assumptions are made in the annual actuarial valuation.

1.7.1.5 Provisions

Provisions are based on estimates using the information available to management at reporting date.

1.8 Revenue

Exchange revenue is initially recognised at fair value where it is probable that the future economic benefit or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably. Where applicable, interest from investments is recognised on a time proportion basis.

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

Government grants are recognised when it is probable that future economic benefits will flow to the public entity and these benefits can be measured reliably. The grant is recognised as income to the extent that there are no further obligations arising from the receipt of the grant. Government grants received for the purpose of giving immediate financial support with no future related costs are recognised as revenue in the period in which they become receivable. Government grants related to specific expenditure are deferred and recognised in the year during which the expenses are incurred.

1.8.1.1 Revenue comprises

Net invoiced value of levies are determined by the MHSC, in accordance with regulations issued in terms of the Mine Health and Safety Act, 1996 (Act No. 29 of 1996) (MHSA). Levies are recognised as income when they become receivable and the conditions attached there to have been met.

Administrative fines are levied by the Department of Mineral Resources (DMR), in terms of section 55 of the MHSA, for breaches of certain sections of the same Act. Administrative fines are recorded as Deferred Income when they become receivable and are then recognised as Income when conditions attached thereto are met.

Government transfers/funding: The DMR funds part of the administrative activities of the Council offices via a transfer payment. These funds are recognised as income on receipt as there are no conditions attached thereto.

1.9 Finance income

Finance income comprises interest receivable on positive bank balances and funds invested, and the fair value adjustment (difference between the fair value and the nominal amount of the consideration) on initial recognition of income. Interest income is accrued on a time proportion basis, taking into account the principal outstanding and the effective interest rate over the period to maturity.

1.10 Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including the PFMA. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular and fruitless expenditure costs are charged against income in the period in which they are incurred.

1.11 Material losses

Material losses are losses incurred that do not comprise normal expenditure or income due to the Council, and are not recovered.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1.12.1.1Finance leases

Assets held under finance leases are recognised as assets at their fair value at inception, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs, which represent the difference between the total lease commitments and the fair value of the asset acquired, are charged to the statement of financial performance over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each accounting period.

1.12.1.2Operating lease payments

Payments under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.13 Impairment of assets

Impairment of non-financial assets

At each reporting date, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less point of sale costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in surplus or deficit.

Impairment of financial assets

Financial assets, other than those at fair value

through profit and loss (FVTPL), are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cashflows of the investment have been impacted. For financial assets held at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash-flows, discounted at the original effective interest rate.

For all other financial assets, except unlisted shares classified as available for sale, including redeemable notes classified as available for sale, and finance lease receivables, objective evidence of impairment could include significant financial difficulty of the issuer or counter party, or default or delinquency in interest or principal payments or it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the surplus or deficit.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment reversal, does not exceed what the amortised cost would have been had the impairment not been recognised.

Accounts receivable, carried at amortised cost, are assessed for impairment on two levels:

- Firstly, the MHSC separately assesses each individually significant receivable for objective evidence of impairment. If the MHSC determines that no objective evidence of impairment exists for an individually assessed receivable, it includes the receivable in a group of receivables for collective assessment of impairment.
- The MHSC then also assesses whether objective evidence (of impairment) exists individually or collectively for receivables that are not individually significant.

The Council's receivables are grouped on a basis of similar credit risk characteristics that are indicative of receivables' ability to pay all amounts due.

1.14 Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed below.

1.14.1.1 Recognition

Financial assets and financial liabilities are recognised on the MHSC's statement of financial position when the MHSC becomes a party to the contractual provision of the instrument and the provisions create and obligation to receive or deliver cash.

1.14.1.2 Financial assets

Initial recognition

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms required delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets can be classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held to maturity investments, available for sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets of the MHSC are categorised as loans and receivables.

Subsequent Measurement

Subsequent to initial recognition, these instruments are measured as set out below.

o Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

1.14.1.3 Financial liabilities

Initial recognition

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. All financial liabilities of the MHSC are classified as other financial liabilities.

Other financial liabilities are initially measured at fair value, net of transaction costs. Employee entitlements are recognised when they accrue to employees. An accrual is raised for the estimated liability as a result of services rendered by employees up to the reporting date. Termination benefits are recognised only when the payment is made.

Subsequent measurement

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

De-recognition

Financial liabilities are de-recognised when the obligation under the liability is discharged, cancelled or has expired.

1.15 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods and services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

Initial recognition

The cost of property, plant and equipment are recognised when it is probable that the future economic benefits or service potential associated with the item will flow to the entity and the cost of the item to the entity can be measured reliably. Property, plant and equipment is stated at historical cost less accumulated depreciation, and adjusted for any impairment. Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Subsequent costs

The Council recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing a part of such an item when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Council and the cost of the item can be measured reliably. All other costs are recognised in the income statement as expenses when incurred.

Depreciation

Depreciation is charged against the asset on a straight line basis so as to fully depreciate the asset to its residual value at the end of its useful life, from the date available for use. Assets bought specifically for a project and intended for donation at the end of the project's life are depreciated over the life of the contract as the residual value (to the Council) at that point would be nil. The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate, at each financial year-end.

Useful lives

The following are the estimated useful lives of the categories of assets as well as the estimated realisable values on disposal.

Where residual values are expected to be negligible, they are reflected at nil value.

Asset	Life in years	Estimated disposal value
Information and technology	5 - 10	Nil
Office equipment	5 - 10	Nil
Computer equipment	5 - 10	Nil
Computer software	2 - 8	Nil
Office furniture - Chairs	10	Nil
Office furniture - Cabinets	15	Nil
Office furniture - Desks	10 - 15	Nil
Office furniture - Fittings	10	Nil
Plant	Duration of the contract or useful life	Nil
Leasehold improvements	Remainder of the lease period	Nil
Vehicle	5 years	Nil

In terms of the requirements of GRAP 17, the useful lives of all asset items were reviewed by management at year-end. The remaining useful lives expectations of some asset items differed from previous estimates.

De-recognition

The carrying amount of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use or disposal.

Losses

Losses on disposal are included in the statement of financial performance and are determined by the balance on carrying amounts.

1.16 Intangible assets

Recognition

Internally generated intangible assets arising from the Council's developments are recognised only if all of the following conditions are met:

Technical feasibility of completing the intangible asset indicates a possible commercial benefit that may arise derived from use or sale

- An intention to complete the intangible asset for use or sale exists
- An ability to use or sell the intangible asset
- Ability to show how the intangible asset will generate future economic benefits or service potential
- Availability of technical, financial and other resources to complete the development
- Ability to reliably measure the expenditure attributable to the intangible asset during its development.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Separate acquired computer software and licences are recognised as intangible assets.

Amortisation

Each asset is amortised over its useful life once it is available for use. Internally generated intangible assets are also amortised on a straight-line basis over their lives, which is usually between two and eight years. The assessment of the carrying value of each intangible asset is done annually and revisions or impairments are made where it is considered necessary.

Useful lives

The following is the estimated useful lives of intangibles. Where residual values are expected to be negligible, they are reflected at nil value.

Asset	Life in years	Estimated disposal value percentage
Intangible assets	2 - 8	Nil

De-recognition

The carrying amount of intangible assets is de-recognised on disposal or when no future economic benefits are expected from its use or disposal.

Losses

Losses on disposal and impairment are included in the statement of financial performance.

1.17 Provisions

Provisions are recognised when the Council has a present legal constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Provisions are determined as the present value of future cashflows using discounted cashflow techniques, where necessary.

1.18 Contingent liabilities

Contingent liabilities are disclosed as commitments when the MHSC has a possible obligation that will probably result in an outflow of economic benefits depending on occurrence or non-occurrence of a future event. Disclosed amounts in respect of contingent liabilities are measured on the basis of the best estimate, using experience from similar transactions or reports from independent experts.

1.19 Budget information

Budget is prepared and reported on the same basis of accounting as the annual financial statements, the comparison of the budgeted statement of financial performance to the actual is reflected in note 19.

2. Non-exchange revenue

	2012	2011
	R'000	R'000
Levies	55 295	51 533
State funding	5 288	5 357
Administrative fines	-	130
Total non-exchange revenue	**60 583**	**57 020**

3. Exchange Revenue

Finance Income:		
Investments interest	7 493	6 308
Council Administration	33	80
Finance Income	7 526	6 388
Fair value adjustment	491	112
Fair value reversal	(112)	
	7 905	**6 500**

4. Other income

	2012	2011
Interest and credits realised in debtors	63	-
Royalty income	286	136
Net actuarial gain	-	227
Realised credits in debtors	23	-
Lease settlement allowance	415	-
	787	**363**

The royalty income is managed by the Council for Scientific and Industrial Research (CSIR) in terms of a service level agreement and involves the sale of Stone Dust Bags developed through SIMRAC project COL501. The royalty income is stated at fair value.

The net actuarial gain represents the difference between the opening and closing balances of the accrued liability with respect to the Post-Retirement Medical Aid Benefit Plan.

5. Surplus from operations

The surplus of R20.775 million is mainly due to under-spending against the budget as reflected under note 19.

5.1 Material losses

No material losses were incurred for the period under review.

5.2 Irregular expenditure

	2012 R'000	2011 R'000
Opening balance	197	-
Add: Irregular expenditure	6 733	1 364
Less: Amounts condoned	-	(1 364)
Irregular expenditure awaiting condoning	6 930	197

Though the entity followed the requirements of the Preferential Procurement Act in carrying out its procurement, the audit revealed that there were administrative errors in the application of calculation of points, drafting of terms of reference and the sourcing of quotes from the supplier data base. This has led to the audit finding of an irregular spending of R3 million. In accordance with Treasury Regulations, management extended its work to establish the extent of these administrative errors in all the procurement made in the year, and this resulted in the additional disclosure of R3,7 million for other procurement that did not fully meet the requirements of the Act.

Reason		Amount
1. Preference points not stated on a tender, 2. Terms of reference did not indicate scoring for functionality 3. Incorporation documents were not available 4. Formula for price calculation was incorrectly applied 5. Unclear terms of reference	These administrative errors resulted in audit finding to the value of:	R2 809 000.00
Finance charges on the 5-year lease of a photocopier instead of the 3 years as per Treasury Regulations. A similar irregular amount for the prior year is R196 751.89		R59 000.00
Authorisation of use of technical experts was not within delegation of authority		R165 000.00
Management reviewed the remaining population which was not in the sample and concluded that the deviations listed below have led to this irregular expenditure: 1. Preference points not stated on a tender, 2. Terms of reference did not indicate scoring for functionality 3. Incorporation documents were not available 4. Formula for price calculation was incorrectly applied 5. Unclear terms of reference	These administrative errors resulted in audit finding to the value of:	R3 700 000.00

5.3 Fruitless and wasteful expenditure

No fruitless and wasteful spending was incurred.

5.4 Research expenditure

	2012 R'000	2011 R'000
Research projects		
Rock falls	6 042	6 417
Rock bursts	2 751	676
Machinery and transport	942	1 270
Explosions and fires	334	105
Airborne pollutants	3 428	5 229
Physical hazards	-	260
Occupational diseases	1 378	3 413
Special projects	7 386	4 089
Reactive research	-	-
	22 261	**21 459**

5.5 Administrative expenses

	2012 R'000	2011 R'000
Insurance	129	160
Advertising and promotions	528	921
Legal	306	321
Courier and postage	118	218
Management fees	203	154
Audit fees - external	1 812	2 018
Audit fees - internal	988	566
Consulting	1 864	2 144
Other	66	114
Other rent	613	504
Communication	15	130
Property and equipment lease	2 171	2 097
Loss on disposal	100	120
Governance support	914	-
Impairment loss on receivables	-	6 418
Repairs and maintenance	596	110
Stationery and computer expenses	1 595	1 108
Travel and accommodation	483	473
Seminars and meetings		147
Telephone and faxes	382	336
Exempt mines - corrections	127	811
	13 010	**18 870**

5.5.1 Auditor's remuneration

Audit fees - external	1 812	2 018

5.6 Staff costs

	2012 R'000	2011 R'000
The staff costs are made up as follows:		
Salaries and wages	11 213	8 627
Recruitment	552	211
Reimbursement travel	9	24
Staff training and welfare	283	193
Net accrual loss on post retirement	100	-
	12 157	9 055

The MHSC'S staff complement was an average of 31 employees for the current financial year and 22 in the previous year. The accrual loss represents the difference between the opening and closing balances of the accrued liability with respect to the Post-Retirement Medical Aid Benefit Plan.

5.7 Promotion of health and safety expenditure

	2012 R'000	2011 R'000
Promotion of health and safety	-	130
	-	130

5.8 Finance costs

	Note	2012 R'000	2011 R'000
Finance costs consist of the following:			
Fair value on financial assets		52	938
Interest on lease obligations		12	17
Fair valuation reversal		(938)	
		(874)	955

The MHSC leases one photocopier whilst a lease of another ended. The rate implicit in the relevant agreements, (of 17% and 13,3%, respectively) was used as a basis for estimating the finance costs for the Calabash and Sharp copiers. The prime lending rate was 15% and 10,5% respectively at the time of entering into the leases. The lease payments on the Calabash are linked to the prime lending rate, whereas the Sharp repayments were fixed.

The MHSC has entered into two-year cellular phone contracts at fixed rates with regard to three managers. The cellular phone costs are capitalised as finance leases using the prime lending rate at the date of the transaction.

6. Cash and cash equivalents

	2012 R'000	2011 R'000
Bank balances consist of short-term, highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to insignificant interest rate risk. Cash and cash equivalents are carried at amortised cost. The bank balances consist of the following:		
Mine Safety Research account	258	267
Mine Safety Research investments	131 315	112 920
Total Mine Safety Research cash	131 573	113 187
Administration bank account	8801	1 404
Administration fines bank account	3 892	2 333
Petty cash	2	2
Credit card	(9)	(4)
	144 259	**116 921**
Analysis:		
Cash on hand and balances with banks	12 944	4 002
Short-term investments	131 315	112 920
	144 259	**116 921**

As required in section 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved the local banks where the bank accounts are held. Central Energy Fund (Pty) Limited provides treasury functions on behalf of Council through terms defined in a service level agreement.

7. Levy and other receivables

	2012 R'000	2011 R'000
Levy receivables (non-exchange)	5 284	21 385
Amounts written off during the current year		
Exempted mines - corrections	(127)	(811)
Gross amount	5 157	20 574
Impairment of debtors	(3 683)	(15 738)
Opening balance	(15 738)	(8 560)
Fair value adjustment	(52)	-
Realised during the year		-
	12 107	-
	-	(7 178)
Provision for the year		
Total provision	(3 683)	(15 738)
Net levy receivables	**1 474**	**4 837**
Other receivables (exchange)		
Financial Solutions		6 233
Bad debts		(6 233)
Sundry debtors	1 698	391
Deposits: Rent	518	518
Prepayments	1	229
Net other receivables	**2 217**	**1 138**
Total non-exchange and other receivables	**3 691**	**5 974**

The impairment of receivables has been determined by references to past default experience and the current economic environment.

Current	543	220
61 to 90 days	100	5 202
91 to 120 days		-
121 days plus	4 514	15 153
Total	5 157	20 574

Levy receivables are shown at amortised cost as noted below:

Gross carrying amount	5 157	21 512
Less: Fair value adjustment	(52)	(938)
Less: Impairment provision	(3 631)	(15 738)
Net carrying amount	**1 474**	**4 837**

It is estimated that, due to their short-term nature, the gross carrying amount of *Other Receivables* approximates its fair value, hence, no fair valuation adjustment was done.

8. Property, plant and equipment

	Research equipment	Office equipment	Office furniture	Computer equipment	ICT	Leased assets	Leasehold - improvements	Plant	Motor vehicles	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cost										
Balance at 1 April 2011	1771	125	542	725	696	299	1 476	-	95	5 729
Additions	7 368	527	383	251	-	24	-	-	-	8 553
Scrapping	-	-	(138)	(196)	(4)	(104)	(92)	-	-	(534)
Reclassifications	-	-	-	7	(7)	-	-	-	-	-
Capitalising existing assets	-	-	33	73	12		-	-	-	117
Balance at 31 March 2012	**9 139**	**652**	**820**	**861**	**697**	**218**	**1 384**	**0**	**95**	**13 865**
Accumulated depreciation										
Balance at 1 April 2011	602	61	330	349	267	193	23	-	-	1 824
Depreciation charge	309	44	49	188	161	67	974	-	19	1 813
Capitalising existing assets	-	-	19	59	-	-	-	-	-	77
Scrapping	-	-	(98)	(159)	(2)	(104)	(75)	-	-	(438)
Reclassifications	-	-	-	2	(2)	-	-		-	-
Balance at 31 March 2012	**911**	**105**	**299**	**439**	**424**	**156**	**923**	**-**	**19**	**3 276**
Carrying amount at 31 March 2012	**8 228**	**546**	**520**	**422**	**273**	**63**	**461**	**-**	**76**	**10 589**
Cost										
Balance at 1 April 2010	2 482	343	510	904	689	366	-	1 346	-	6 640
Additions	969	-	-	214	13	34	1 384	-	95	2 710
Scrapping	(1 680)	(126)	(2)	(405)	(6)	(101)	-	(1 346)	-	(3 666)
Reclassifications	-	(92)	-	-	-	-	92	-	-	-
Balance at 31 March 2011	**1 771**	**125**	**508**	**713**	**696**	**299**	**1 476**	**-**	**95**	**5 684**
Accumulated depreciation										
Balance at 1 April 2010	1 908	158	285	553	116	199	-	1 288	-	4 506
Depreciation charge	328	23	13	125	154	94	23	58	-	818
Scrapping	(1 635)	(120)	(2)	(341)	(3)	(100)	-	(1 346)	-	(3 546)
Balance at 31 March 2011	**601**	**61**	**296**	**337**	**267**	**193**	**23**	**-**	**-**	**1 779**
Carrying amount at 31 March 2011	**1 171**	**64**	**212**	**376**	**430**	**106**	**1 452**	**-**	**95**	**3 905**

9. Intangible assets

	2012 R'000	2011 R'000
Cost:		
Balance at 1 April	907	787
Additions	68	141
Scrapping	(559)	(20)
Balance at 31 March	**416**	**907**
Accumulated amortisation:		
Balance at 1 April	676	655
Amortisation	133	42
Scrapping	(526)	(20)
Balance at 31 March	**282**	**676**
Carrying amount at 31 March	**134**	**231**

10. Exchange payables

	2012 R'000	2011 R'000
Trade payables	12 391	2 970
Payroll payables	394	214
Fair value allowance	(365)	
Total exchange payables	**12 420**	**3 184**
Non-exchange payables		
Unallocated deposits: short term portion	49	52
Total non-exchange payables	**49**	**52**

Trade payables are reflected at amortised cost. Trade payables are non-interest bearing and are payable within 30 days. The gross carrying amount of the trade payables is R12 786 000 and its related discounted finance income is R491 459.00. The 2011 amounts are R112 000.00 for the discounted finance income and a gross carrying amount of R3 296 000.

There has been no default on payment to any creditor and no terms and conditions were renegotiated.
Included in trade payables is an accrual for leave pay, which is based on current salary rates and leave days due at the reporting period.

It is estimated that due to their short-term nature, the gross carrying amount of the other payables approximates their fair value.

According to the MHSC Act, debt only prescribes in 30 years, which means that the recognition of these unknown deposits as income would be inappropriate.

11. Unutilised administrative fines

		2012	2011
		R'000	R'000
Opening balance	Note	2 333	1 670
Administrative fines collected		1 559	50
Unutilised during the year for promotion of health and safety		-	130
Prior year adjustmen	21		743
Closing balance		**3 892**	**2 333**

This liability represents the amount collected on administration fines that has not yet been expended. The liability should thus ordinarily equal the amount of the related (Administration fines) bank balance in note 6. These funds are earmarked for promotion of health and safety by the Mine Health and Safety Council.

12. Provisions

12.1 Provision for performance bonuses

The provision for performance bonuses is based on estimated performance levels and salary rates prevalent at the reporting date.

	2012	2011
	R'000	R'000
Opening balance	763	760
Additional provisions	704	680
Paid during the year	(501)	(677)
Fair value adjustment	(127)	
Closing balance	**839**	**763**

13. Post-retirement medical benefit

13.1 Background

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

13.2 Present value of fund obligation

The amount included in the financial position arising from the MHSC's obligation in respect of the post-retirement medical benefit plan is as follows:

	2012 R'000	2011 R'000
In-service members 3%	580	427
Continued members 17%	615	574
Total accrued service liability 12%	1 195	1 001

The changes in the accrued service liability since the previous valuation present value of fund obligations purpose (as at 31 March 2011) can be explained as follows:

	Actual R'000
Accrued service liability at 31.3.2011	1 001
Interest cost	94
Current service cost	38
Benefits payments	(38)
Projected accrued service liability	1 095
Actuarial loss	100
Accrued service liability at 31.3.2012	1 195

The actuarial loss arose as follows:

Experience item	**R'000**
Change in economic basis (the discount rate and medical inflation assumptions)	100
Medical inflation higher than expected	35
Mortality lower than expected	9
Other	(44)
Total actuarial loss	100

13.3 Future service liability (current service cost)

The future service liability (or current service cost) is calculated as the present-day value of the employer's subsidy to current in-service members that is deemed to accrue over the period 1 April 2012 to 31 March 2013. The estimated future service liability for this period is R47 000. (The corresponding figure for the period 1 April 2011 to 31 March 2012 was R38 000).

13.4 Projection of results to 31 March 2013

The projected results from 31 March 2012 to 31 March 2013, assuming that the experience follows the assumptions exactly, are as follows:

	R'000
Accrued service liability	1 195
Interest cost	103
Current service cost	47
Expected benefit payments (April 2011 - March 2012)	(41)
Projected accrued service liability	1 304

13.5 Sensitivity analysis

The results are dependent on the assumption used. The table below shows how the past service cost as at 31 March 2011 would be impacted by changes to these assumptions:

	Accrued service liabilities as at 2012 R'000	% change
Assumptions as above	1 195	
Discount rate - increases by 1% p.a.	1 035	(13%)
Discount rate - reduces by 1% p.a.	1 396	17%
Medical inflation - increases by 1% p.a.	1 394	17%
Medical inflation - reduces by 1% p.a.	1 035	(13%)
Retirement age - 55	1 547	30%

The tables below show how the current service cost and interest cost for the year to 31 March 2013 would be impacted by changes to the assumptions:

Accrued service

	Current service cost 2012 - 2013 R'000	% change
In-service members		
Assumptions as above	47	-
Discount rate - increases by 1% p.a.	39	(19%)
Discount rate - reduces by 1% p.a.	59	25%
medical inflation - increases by 1% p.a.	59	25%
medical inflation - reduces by 1% p.a.	38	(19%)
Retirement age - 55	38	(20%)

	Interest cost 2013 R'000	% change
In-service and continuation members		
Assumptions as above	103	
Discount rate - increases by 1% p.a.	99	(3%)
Discount rate - reduces by 1% p.a.	106	3%
Medical inflation - increases by 1% p.a.	120	17%
Medical inflation - reduces by 1% p.a.	88	(14%)
Retirement age - 55	130	27%

13.6 Employer subsidy policy

The subsidy that has been valued is as follows:

Employees employed before 1 August 2003 are entitled to a 100% subsidy of Liberty Health Medical Scheme membership costs on the Liberty Platinum Provia option on retirement or its equivalent. In case of death in service or death in retirement of a principal member, their spouse may continue membership, in which case MHSC will continue to contribute 70% of these membership costs.

Employees employed from 1 August 2003 do not qualify for a subsidy on retirement.

Any changes that the employer may make to the subsidy policy in future that may have an impact on the liability have been ignored. It is assumed that members remain on Liberty Health Medical Scheme or its equivalent in future.

13.7 Summary of membership data

Number of Members

	Males	Females	Total at 2012	Total at 2011
In-service members	1	2	3	3
Continuation members	1	-	1	1
Total members	2	2	4	4

13.8 Assumptions

The assumptions are shown in the following table:

	As at 2012	As at 2011
Discount rate	8,4%	9,2%
Subsidy inflation	7,2%	7,4%
Retirement age	60	60
Proportion of retiring members who are married Age of spouse	80% Husband 5 years older than wife	80% Husband 5 years older than wife
Mortality of in-service members	In accordance with the PA (90) ultimate male and female tables	In accordance with the SA 85-90 (light) ultimate table
Mortality of continuation members	No explicit assumption was made about additional mortality or health care costs due to AIDS	In accordance with the PA (90) ultimate male and female tables
Annual rate of withdrawal owing to resignation before retirement	No withdrawals	No withdrawals

A discount rate of 8,4% per year has been used to place the present value on future benefit payments. This is consistent with the IAS I9 requirement that the discount rate used should be the long-term government bond yield. The rate of 8,4% is the yield on the R186 government bond as at March 2012.

13.9 Movement over the current and past 3 years

Change in liability	31-Mar-11 Actual R million	31-Mar-12 Actual R million	31-Mar-13 Projected R million
Opening liability	1 132	1 001	1 001
Service cost	43	38	47
Interest cost	107	94	103
Actuarial (gain)/loss	(226)	100	(41)
Benefit paid	(55)	(38)	(38)
Closing liability	1 001	1 195	1 304
Present value of defined benefit obligation	1 001	1 001	1 304
Unrecognised actuarial gains/(losses)	-	-	-
Net liability/(asset)	1 001	1 195	1 304
Service cost	43	38	47
Interest cost	107	94	103
Recognised actuarial (gains)/losses	(226)	100	-
Amount charged to statement of financial performance	(76)	232	150
Reconciliation opening liability/(asset)	1 132	1 001	1 195
Payment to members	(55)	(38)	(41)
Change to statement of financial performance	(76)	232	150
Closing liability/(asset)	1 001	1 195	1 304
Key actuarial assumptions discount rate	9,20%	9,40%	8,40%
Medical inflation rate	7,40%	7,20%	7,20%

14. Finance lease liability

	2012	2011
	R'000	R'000
Finance lease liability	80	124
Less: Current portion	71	59
Long-term portion	**9**	**64**

Reconciliation between the minimum lease payments and the present value:

Minimum lease payments	80	124
Payable within 1 year	71	74
Payable within 2-5 years	16	71
Less future finance charges	7	21

Present value of minimum lease payment	80	124
Payable within 1 year	71	59
Payable within 2-5 years	9	64

Terms and conditions:

All the photocopier leases are for an agreed period, i.e. 60 months, with an option to renew, and no escalation.

All the cellphone leases are for an agreed period, i.e. 24 months, with an option to renew, and no escalation.

The related finance lease liabilities are secured by office equipment.

15. Reconciliation of surplus for the year to cash generated from operations

	2012	2011
	R'000	R'000
Net surplus per income statement	20 775	12 554
Adjusted for non cash flow items:		
Adjustment to reserves	826	(211)
Non cash adjustment on assets	(14)	-
Depreciation and amortisation	1 945	860
Provisions	76	3
Post-retirement medical benefit	-	(131)
Interest received	(7 525)	(6 388)
Scrapping of assets	100	120
Operating surplus before changes in working capital	**16 184**	**6 807**
Movement in working capital:		
(Decrease) / Increase in unutilised administration fines	1 559	663
(Decrease) / Increase in unallocated deposits	(3)	(693)
Increase in consumables	(153)	
Decrease in accounts receivable	2 283	9 100
(Decrease) / increase in accounts payable	9 431	(3 770)
Cash generated by operations	**29 301**	**12 108**

16. Commitments

16.1 Operating leases

At the reporting date, the Council had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2012	2011
	R'000	R'000
1 year	1 164	2 202
2 to 5 years - Premises rental	0.00	1 148
	1 164	3 350
Term in years	0.5	1.5
Escalation	9%	9%
16.2 Research projects		
Authorised and contracted	9 248	24 151
Authorised but not contracted for	92 736	72 257
Total	**101 984**	**96 408**

These commitments represent contingent liabilities where it is uncertain whether a present obligation exists, an outflow of resources is not probable or the amount of the outflow cannot be reliably estimated. The balances in the prior year have been reinstated with a reduction of R7 369 110.97 from committed and addition of R7 369 110.97 to uncommitted. This is either due to a list of contracts that were completed at lesser amounts than the original contract amount or contracts that were subsequently cancelled.

17. MHSC members' and executive management emoluments

17.1 MHSC and committee members do not earn any fees or receive emoluments. Labour

Members are reimbursed for travel costs for Council meetings.

17.2 The independent Audit Committee members are remunerated as follows per sitting:

– Chairperson: R7 500

– Other members: R5 500

17.3 Executive management

Year ended 31 March 2012	Salaries	Allowances	Company contributions	Performance bonuses	Total R'000
Mr T Gazi	1 364		26		1 390
Mr D S Molapo	1 006		19		1 025
Mr N Singh	994		31		1 025
Total	**3 363**		**77**		**3 440**

Year ended 31 March 2011	Salaries	Allowances	Company contributions	Performance bonuses	Total R'000
Ms P Maruping April 2010-Oct 2010	646	84	16	130	876
Mr TE Gazi Nov 2010-March 2011	384	-	6	-	390
Mr DS Molapo Oct 2010-March 2011	467	-	19	-	486
Mr N Singh March 2011	877	71	35	108	1 090
Total	**2 374**	**155**	**76**	**238**	**2 842**

MHSC pays bonuses in September of each year with respect to the previous financial year ending 31 March. A provision has been made in the current year for performance bonuses that will only be confirmed during September 2012 or earlier date.

18. Related party transactions

The only non-arm's length transactions with a related party were with the DMR with regard to the annual non-conditional grant. The amount due has been fully paid and there is thus no balance outstanding.

18.1 Transactions with key management

Key management consists of executive personnel made up of the Chief Executive Officer, Chief Financial Officer and Chief Research and Operations Officer and their family members.

There were no loans to key management during the year. The following is a summary of transactions with entities whose members participate on the Council.

MHSC member	Entity	Transaction amount		Balance owing	
		2012 R'000	2011 R'000	2012 R'000	2011 R'000
Mr H Rex	Anglo Ashanti Ltd	4 545	4 242	568	182
Mr T Masondo	Anglo Coal	1 260	982	-	257
Mr M Munroe	Lonmin	2 582	2 254	-	1 102
Dr L la Grange	Anglo Platinum	6 969	5 670	115	1 263
Mr HC van der Merwe	Shaft Sinkers	12	12	-	-
Mr D Msiza	MHSI	183	-	183	-

Audit Committee	Number of meetings		
member	Audit committee	Other	R'000
Ms L Fosu	3	3	90
Ms T Sihlaba	5	-	31
Mr Z Fihlani	6	2	52

19. Reconciliation of the surplus to the budget

	Actual R'000	Budget R'000	Variance R'000
Income	69 275	68 233	1 042
Revenue from non-exchange transactions	60 583	62 024	(1 441)
Finance income	7 905	6 209	1 696
Other income	787	-	787
Expenditure	48 500	59 463	(10 963)
Research expenditure	22 261	28 020	(5 759)
Administrative expenses	13 010	14 718	(1 708)
Staff costs	12 157	14 411	(2 254)
Depreciation and amortisation	1 945	2 301	(356)
Finance costs	(873)	13	(886)
Surplus for the year	20 775	8 770	12 005

The variance between the budget and actual of R12,005 million is due to a favourable variance in revenue of R1,042 million as a result of better investment income than the budget and an unfavourable variance of R10,963 million on expenditure.

20. Financial instruments

Financial instruments by category:

2012	Fair value through profit and loss		Available for sale	Effective interest rate	Financial assets at amortised cost
Financial assets	**Designated**	**Held to maturity**			
Trade receivables					1 474
Other receivables					2 217
Investments					131 315
Cash at bank					12 944

	Fair value through profit and loss	
Financial liabilities	**Designated**	**Other**
Trade and other payables	-	12 786
Unallocated deposits	-	49
Debtors with credit balances	-	-
Unutilised adminsitrative fines	-	3 892

2012	Fair value through profit and loss		Available for sale	Financial assets at amortised cost
Financial assets	**Designated**	**Held to maturity**		
Trade receivables	-	-	-	4 837
Other receivables	-	-	-	1 138
Cash and cash	-	-	-	112 920

	Fair value through profit and loss	
Financial liabilities	**Designated**	**Other**
Trade and other payables	-	3 296
Unallocated deposits	-	52
Debtors with credit balances	-	157
Unutilised administrative fines	-	2 333

20.1 Overall financial risk management

The Treasury function of the MHSC is outsourced to the Central Energy Fund (CEF), who implements risk mitigation measures on behalf of the entity in terms of a formal agreement.

20.2 Sensitivity analysis

The MHSC's surplus funds are not highly sensitive to interest rate fluctuations due to the fact that the investment periods are short. The average movement in the overdraft rate during the financial year was about 150 basis points. A downward movement of interest rates by 1,50% would not have a material impact on the surplus funds at year-end.

20.3 Market risk

20.3.1 Interest rate risk

The MHSC's activities are of such a nature as to not materially expose the entity to interest rate risks. However, the MHSC is exposed to interest rate risks as it invests considerable surplus funds. The relevant risks are managed by the CEF. The risk mitigation measures include the fact that the surplus funds are invested at fixed rates for periods of 180 days and shorter with reputable commercial banks.

20.3.2 Other price risks

The MHSC is exposed to price risks on its purchases and research expenses. Prices for future purchases and sales of goods and services are generally established on normal commercial terms direct with suppliers and customers. The MHSC considers the price risk to be insignificant.

20.3.3 Fair value of financial instruments

The fair value of financial assets and liabilities are determined as described in note 1.14 above.
There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

20.4 Capital risk

As the MHSC does not have borrowings; it is not exposed to capital risk.

20.5 Credit risk

Financial assets, which potentially subject the MHSC to concentrations of credit risk, consist principally of cash, short-term deposits and trade receivables. The MHSC's cash equivalents and short-term deposits are placed with high-credit quality financial institutions. Trade receivables are presented net of the allowance for doubtful debt. Credit risk with respect to trade receivables is concentrated in the mining sector, but is limited due to the large number of customers comprising the MHSC's customer base and their dispersion across different geographical areas. Accordingly, the MHSC has no significant concentration of credit risk. The gross carrying amounts of financial assets included in the financial position represent the MHSC's exposure to credit risk in relation to these assets. The MHSC does not have any significant exposure to any individual customer or counterparty.

20.6 Liquidity risk

The MHSC manages any liquidity risk it may face by maintaining adequate reserves and liquid resources by continuously

monitoring forecasted and actual cashflows. The carrying amounts of financial liabilities included in the financial position represent the MHSC's exposure to liquidity risk in gross relation to these liabilities. Accordingly, as reflected in note 10, the MHSC has no significant concentrations of liquidity risk as there are no contractual financial liabilities.

20.6.1 Maturity and carrying value analysis

2012	Carrying amount	Contractual cashflows	6 months or more	6 months or less
Trade payables	12 391	12 391		12 391
Payroll	394	394		394
Unallocated deposits	49	49		49

2011	Carrying amount	Contractual cashflows	6 months or more	6 months or less
Trade payables	2 970	2 970	-	2 970
Payroll	214	214		214
Unallocated deposits	52	52		52

21. Prior year adjustment

During the 2008 Summit, the MHSC office paid for summit costs and other related expenses to the value of R743 000.00. This transaction was allocated to a reduction of the Administration Fines Fund account instead of being expensed. The effect was to reduce this balance from R2.3 million to the reported R1.6 million as at March 2011. Subsequent approval processes indicate that it was suppposed to have been expensed at the onset. The effect of this correction has been to increase the Administration Fines Fund to its correct balance that agrees to the bank balance and reduce the reserves due to the processing of the expense.

21.1.1 Accummulated reserves

	2011
As previously reported	120 319
Prior period error	(743)
Restated reserves	119 576

21.1.2 Revision of commitments

The comparative commitment balances reflected under note 16.2 have been adjusted in the current financial year, the balances of commitments in the prior year have been reduced by R7 369 110.97 while the uncommitted balance is increased by the same amount of R7 369 110.97. This has been necessitated by either due to a list of contracts that were completed at lesser amounts than the original contract amount or contracts that were subsequently cancelled.

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