BUDGETARY REVIEW AND RECOMMENDATIONS REPORT OF THE PORTFOLIO COMMITTEES ON MINERAL AND PETROLEUM RESOURCES, AND ELECTRICITY AND ENERGY DATED 23OCTOBER 2024

After 29 May 2024 general elections, the Department of Mineral Resources and Energy (DMRE) was split into two (2) departments, namely the Department of Mineral and Petroleum Resources, and the Department of Electricity and Energy. Corresponding portfolio committees were formed, namely, the Portfolio Committee on Mineral and Petroleum Resources, and the Portfolio Committee on Electricity and Energy. The Chairpersons of the two Committees were elected on 09 and 10 July 2024, respectively. The 2023/24 financial year ended on 31 March 2024. However, the annual reports cover the period when the department was not split. Furthermore, for the financial year under observation, the Department reports as the DMRE as the budget and human resources are aligned to the voted budget of the 2023/24 financial year (Budget Vote 34).

The Portfolio Committees on Mineral and Petroleum Resources, Electricity and Energy, having considered the performance of the Department of Mineral Resources and Energy and its entities, reports as follows:

1. INTRODUCTION

This report accounts for the process embarked upon by the Portfolio Committees on Mineral and Petroleum Resources, and Electricity and Energy to consider the 2023/24 Annual Reports for Vote 34, whichconstitutes the DMRE and its entities. The reports were tabled in Parliamentby the Minister of Mineral Resources and Energy on 30 September 2024; and were presented at briefing sessions with the Committees as shown in Table 1below.***Please note that often there will be a reference to "the Committee" – this would be referring to the then Portfolio Committee of Mineral Resources and Energy within which a particular activity would have been reported in the Sixth Administration.***

This report is compiled in terms of the Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009). TheAct requires the National Assembly to conduct an annual assessment ofthe performance of each national department, giving particular focus to the medium-term estimates ofexpenditure. Section 5 of the Actsets out a procedure for assessing the performance ofeach department by the National Assembly. In October of each year, it further requires committees of the National Assemblyto prepare budgetary review and recommendation reports (BRRRs).

1.1 Purpose of the Budgetary Review and Recommendation Report

In line with the Act as explained above, the BRRRfor each department that falls under each National Assembly Committee's responsibilities, in this case, the Department of Mineral Resources and Energy, i) must provide an assessment of the Department's service delivery performance given available resources; ii) must provide an assessment ofthe effectiveness and efficiency of the Department's use and forward allocation of resources; and iii) may include recommendations on the forward use of resources.

The BRR Report may also act as sourcedocuments for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the Medium-term Budget Policy Statement (MTBPS).

1.2 Preparing for the Budgetary Review and RecommendationsReport

In preparation for the BRR Report and in compliance with its mandate as set out in Section 5(1) of theMoney Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), theCommittee/s undertook the following activities in 2023/24 financial year:

- Briefings by the Department on quarterly performance and expenditure reports of theDepartment for the 2023/24 financial year.
- Undertook oversight visits as follows: Joint oversight visit with the Portfolio Committee on Public Enterprises from 26 – 27 January 2023 to Eskom Megawatt Park – the focus was on loadshedding and possible solutions to the problem.
- Conductedinvestigative oversight visits on illegal mining in five (5) provinces, namely, Mpumalanga, Gauteng, Free State, Limpopo and North West. The oversight was conducted jointly with the Portfolio Committees on Home Affairs and Police.
- Conducted provincial public hearings on the Upstream Petroleum Resources Development (UPRD) Bill and the Electricity Regulation Amendment (ERA) Bill. The Committee also conducted a public hearing on the National Nuclear Regulator (NNR) Amendment Bill. The above three (3) Bills were passed by Parliament and sent to the President for assent. The NNR and ERA Bills have been signed by the President into law. The UPRD has not been signed yet, even though, of the three (3) Bills, it was the first Bill to passed by Parliament.
- Held briefings and considered the medium-term Strategic Plan, the Annual Performance Planand the Budget of the Department for the 2023/24 financial year, including those of its entities, aslisted in Table 1.

- Received briefing on the 2023/24 Annual Reports of the Department and itsentities' audit outcomesfrom the Auditor-General of South Africa.
- Subsequently, on 15,16 and 18 October 2024, the Committees held briefings andconsidered the Annual Reports for the 2023/24 financial yearof the Department and its entities.
- The BRR Report also draws from other briefings and inputs that the Committee receivedthroughout the 2023/24 financial year; and the first quarter of the 2024/25 financial year.

Table 1: BRRR Briefings

Committee Activity	Date
Auditor General of South Africa	15 October 2024
Department of Mineral Resources and Energy	15 October 2024
Mine Health and Safety Council	15 October 2024
South African National Energy Development Institute	16 October 2024
National Radioactive Waste Disposal Institute	16 October 2024
National Energy Regulator of South Africa	16 October 2024
National Nuclear Regulator	16 October 2024
South African Diamond and Precious Metals Regulator	18 October 2024
State Diamond Trader	18 October 2024
Council for Geoscience	18 October 2024
Central Energy Fund Group	18 October 2024
Mintek	18 October 2024

1.3 Mandate of the DMREand its entities

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

The Department executes its mandate through the following entities, as shown in Table 2 below.

Table 2. Entities of the DMRE

Mineral and Petroleum Resourcesentities	
Name of Entity	**Role of Entity**
Council for Geoscience	Council for Geoscience (CGS) which was established in terms of the Geoscience Act, No 100 of 1993 as amended, its role is to be a national custodian of geoscientific information and knowledge.
Council for Mineral Technology of South Africa (Mintek)	Council for Mineral Technology of South Africa (MINTEK), which was established in terms of Mineral Technology Act No 30 of 1989, its mandate is to conduct research and development in mineral technologies and promote expansion of mineral related industries.
South African Diamond and Precious Metal Regulator (SADPMR)	South African Diamond and Precious Metal Regulator (SADPMR), the legislative mandate for the SADPMR is derived from section 3 of the Diamond Act No 56 of 1986, the regulator is also responsible for enforcing the provisions Diamond and Precious Metals Act No 37 of 2005 as well as the Diamond Export Levy Act No 15 of 2007.
State Diamond Trader (SDT)	State Diamond Trader (SDT), established in terms of section 14 of the Diamonds Act No 56 of 1986 as amended, its role is to grow local diamond beneficiation, while ensuring transformation in the diamond industry.
Mine Health and Safety Council	Mine Health and Safety Council (MHSC) whose legislative mandate is found in the Mine Health and Safety Act, No. 29 of 1996, its role is to advise and conduct research on health and safety issues as they pertain to the mining industry.
Central Energy Fund (CEF) Group	The mandate of the CEF Group is derived from the Central Energy Fund Act, 1977 (Act No 38 of 1977) and the ministerial directives issued thereafter. Its role is to finance and promote the

Mineral and Petroleum Resourcesentities	
Name of Entity	**Role of Entity**
	acquisition of research into and exploitation of oil, gas and renewable/clean energy-related products and technology.
Alexkor	The core business of Alexkor is the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa.

NB: Alexkor did not table its annual report, and it reported to the Department of Public Enterprise (DPE) during the period under review. Thus, this report does not cover Alexkor.Including it on the list of entities as during the current administration it falls under the Mineral and Petroleum Resources Portfolio**.**

Electricity and Energy Entities	
Name of Entity	**Role of Entity**
National Nuclear Regulator (NNR)	The NNR is established in terms of the National Nuclear Regulator Act, 1999 (Act No. 47 of 1999). The Act establishes the Regulator as a competent authority for nuclear regulation in South Africa. Its role is essentially to provide for the protection of persons, property and the environment against nuclear damage through the establishment of safety standards and regulatory practices.
National Energy Regulator of South Africa (NERSA)	NERSA is a regulatory authority established as a juristic person in terms of Section 3 of the National Energy Regulator Act, 2004 (Act No. 40 of 2004). NERSA's role is to regulate the electricity, piped gas and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Gas Act, 2001 (Act No. 48 of 2001) and the Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).
National Radioactive Waste Disposal Institute (NRWDI)	The NRWDI is a Nuclear Waste Disposal Institute established in terms of Section 3 of the National Radioactive Waste Disposal Institute Act, 2008 (Act No. 53 of 2008). Its role is to provide for the establishment of an NRWDI to manage radioactive waste disposal on a national basis and to provide for its functions and for how it is to be managed.
South African National Development Institute (SANEDI)	SANEDI is an applied energy research institute established in terms of Section 7(1) of the National Energy Act, 2008 (Act No. 34 of 2008). Its role is to direct, monitor and conduct energy research and development, promote energy research and technology innovation, as well as undertake measures to promote energy efficiency throughout the economy.
South African Nuclear Energy Corporation (NECSA)	NECSA is established in terms of Section 3(1) of the Nuclear Energy Act, 1999 (Act No. 46 of 1999), and its role is to provides for the commercialisation of nuclear and related products and services, and delegates specific responsibilities to the corporation, including the implementation and execution of national safeguards and other international obligations. The Nuclear Energy Policy of 2008 reinforced NECSA's mandate relating to research and development, and nuclear fuel cycle responsibilities.
Eskom	Eskom's mandate is to lower the cost of doing business, Enable economic growth, Provide a stable electricity supply, and Provide electricity in an efficient and sustainable manner. Eskom's purpose is to improve the quality of life of people in South Africa and the region by providing sustainable electricity solutions

NB: Eskom did not table its annual report, and itreported to the Department of Public Enterprise (DPE) during the period under review. Thus, this report does not cover Eskom. Including it on the list of entities as during the current administration it falls underthe Electricity and Energy portfolio.

2. OVERVIEW OF THE PERFORMANCE OF THE DMRE, 2023/24

This section analyses the overall performance of the Department for the 2023/24 financial year.

2.1 Overall financial performance of the department

For the 2023/24 financial year, the Department had an allocated total budget of R10.2 billion[1]. By the end of the year under review, the Department had spent R9.8 billion or 96.2 percent of the total allocated budget[2]. A large portion of the Department's budget is for transfers and subsidies, where R8.051 billion was transferred in the 2023/24 financial year. This line item refers to the transfers and subsidies to the various entities as implementing agents to which funds are mainly for the implementation of projects and programmes, including the entities' operational expenditure[3].

[1] Department of Mineral Resources and Energy, (2023)
[2] Ibid.
[3]Ibid.

Table 3 below depicts the budget allocated and expenditure of the DMRE or Vote 34 for the 2023/24 financial year:

Table 3: Overall Budget for the Department for 2023/24 Financial Year

Programme	Main Appropriation	Actual Spending	Over/(Under) Expenditure	Percentage variance
	R'million	**R'million**	**R'million**	**%**
Administration	700,9	675.9	(24. 95)	3.6
Minerals & Petroleum Regulation	531.1	528.4	(2.71)	0.5
Mining, Minerals & Energy Policy Development	1 072.1	1 019.0	(53.14)	5.0
Mine Health & Safety Inspectorate	230.7	229.1	(1.56)	0.7
Mineral & Energy Resources Programmes & Projects	6 576.7	6 274.2	(302.4)	4.6
Nuclear Energy Regulation & Management	1 159.5	1 153.7	(5.74)	0.4
Total	**10 271.2**	**9 880.6**	**(390. 6)**	**3.8**

Source: National Treasury Vote 34, (2023/24)

As shown in Table 3 above, in terms of budget performance, the department's final appropriation for the year under review (2023/24) was R10.271 billion, a decrease of 1.7 percent from the R10.447 billion allocated in the 2022/23 financial year. The department underspent its budget by R390.6 million however expenditure is above 90 percent as 96.2 percent of the budget was spent which is the same as the spending in the 2022/23 financial year.

In terms of rollovers, the DMRE requested National Treasury to approve R144,63 million from unspent funds from 2022/23 to finalise outstanding payments and implementation of agreements, however this request was not granted.[4] Below is the 2023/24 expenditure and explanation of the material variances and/or underspend per programme.

2.1.1 Programme 1: Administration

The Programme spent R675 million which represents 96.4 percent of its allocated budget; therefore, the budget underspending is R24.96 million or 3.6 percent. The DMRE provides the following reasons for the underspending under this programme:

- Compensation of employees' line item was underspent due to vacant funded positions. The compensation of employees (CoE) spent under this programme is R326 million.
- Delays in leasing of office printers.
- Delays in Information Communication Technology (ICT) projects.
- Cost containment measures such as line items of travel and subsistence.
- Planned improvements on some regional offices was halted due to service provide non-compliance with Construction Industry Development Board (CIDB) requirements.

2.1.2 Programme 2: Minerals and Petroleum Regulation

The Programme spent R528.45 million which represents 99.5 percent of the allocated budget. The primary cost driver was the R305 million spent on CoE.

2.1.3. Programme 3: Mining, Minerals and Energy Policy Development

The Programme recorded a budget underspending of R53.15 million or 5 percent of the allocated R1.02 billion. The DMRE explains this underspending as follows:

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[4] Department of Mineral Resources and Energy, (2023).

- Delays with the implementation of the Shale Gas project
- Delays with the payments of international membership fees to Association Diamond Producing Countries (ADPA) due to delays in approval processes

2.1.4. Programme 4: Mine Health and Safety Inspectorate

The Programme spent R229.15 million which represents 99.3 percent of the allocated budget. The primary cost driver under this programme is increased number of inspections conducted therefore higher spend on travel, subsistence and overtime payments.

2.1.5. Programme 5: Mineral and Energy Resources Programmes and Projects

The Programme spent R6.27 billion or 95.4 percent of the allocated budget resulting in a budget underspending of R302.48 million or 4.6 percent. The Department stated that a delay in the below mentioned projects were reasons for the underspending:

- Rehabilitation of derelict and ownerless mines,
- Mine Water Ingress Project,
- Energy Efficiency Demand Side Management (EEDSM) Monitoring and Verification Project,
- Integrated National Electrification Programme (INEP) Non-Grid Oversight, Monitoring and Evaluation,
- INEP Non-Grid Electrification Project,
- Solar Water Heater Project.

The DMRE also stated that the underspending in this programme was because of a lack of applications for pumping subsidies from mining companies therefore the R8.51 million underspend of transfer payments.

2.1.6. Programme 6: Nuclear Energy Regulation and Management

The Programme spent R1.15 billion which represents 99.5 percent of the allocated budget. The primary cost driver is transfer and subsidies of R1.11 billion which represents 99 percent of the total programme budget.

2.2. Non- Financial Performance of the Department

As indicated in the preceding section, the Department has six programme areas. Each programme has sub-programmes within it. In this section of the paper, the focus is on an

analysis of the performance or non-financial targets. The main objective of this section is to assess whether the Department achieved the planned targets and fulfilled their service delivery mandate. It is important to note that the Department revised its performance targets throughout the financial year, however the analysis below is focused on the performance targets in the original 2023/24 Annual Performance Plan tabled in Parliament.

Table 4: Overall Performance of the Department for 2023/24 Financial year

Programme	Total Targets	Achieved Targets	Not Achieved Targets
Programme1: Administration	10	10 (100%)	0
Programme 2: Minerals & Petroleum Regulation	11	10 (91. %)	1
Programme 3: Mining, Mineral & Energy Policy Development	19	12 (63%)	7
Programme 4: Mine Health & Safety Inspectorate	12	9 (75%)	3
Programme 5: Programme & Projects Management	17	11 (65%)	6
Programme 6: Nuclear Energy	10	7 (70%)	3
Total	**79**	**59 (75%)**	**20 (25%)**

Source: Department of Mineral Resources and Energy Annual Report, (2023/24)

As can be seen in Table 4 above, the Department had set itself 79 revised performance targets for the 2023/24 financial year. The Department achieved 59 or 75 percent and fell short by 20 targets or 25 percent. It is important to note that the Department spent 96.2 percent of its allocated budget whilst it only achieved 75 percent of its performance targets for the year under review. Ideally there should be a correlation between the budget spent and the targets achieved.

Moreover, the rate of 75 percent achievement of performance targets is below the National Treasury benchmark of 80 percent for the National Departments.

When compared to the previous financial year, there is an improvement in the performance of the Department. In the 2022/23 financial year the Department set itself 85 performance targets and achieved 49 or 57.6 percent of its performance targets whilst spending the same 96 percent of the total allocated budget.

As depicted in the table above, only one programme achieved 100 percent of its target, namely Programme 1: Administration. Programme 3: Mining, Mineral & Energy Policy Development achieved 63 percent in their target performance. Programme 2: Minerals and Petroleum Regulation is the second-best performing programme, followed by Programme 4: Mine Health and Safety Inspectorate at 75 percent.

2.3. Report of the Auditor General of South Africa on the DMRE

During the year under review, the Department obtained an Unqualified Audit Opinion with findings from the AGSA. In the previous financial year, the Department obtained the same opinion from the AGSA. Key findings of the AGSA on the Department were as follows:

- **Fruitless and wasteful expenditure of R3.08 million** incurred during the financial year relates to storage costs for the solar water heater programme. This programme began incurring costs from 2018 when the Department took delivery of the solar water heater units from the manufactures. Due to project delays the units were stored for longer than anticipated which has resulted in fruitless and wasteful expenditure over the years.
- **Impairment of accrued Departmental revenue:** an amount of R 178 million was impaired as a result of the department's inability to collect revenue due to the Department.
- **Expenditure Management:** The AGSA found that effective steps were not taken to prevent fruitless and wasteful expenditure amounting to which the majority of the fruitless and wasteful expenditure related to payment of storage fees.
- **Consequence Management:** The AGSA was unable to obtain sufficient and appropriate audit evidence that disciplinary steps were taken against officials who had incurred unauthorised, irregular and fruitless and wasteful expenditure as required by section 38(1)(h)(iii) of the PFMA. This was because investigations were not finalised as of 31 March 2024 for unauthorised, irregular as well as fruitless and wasteful expenditure. This was also a finding in as internal control deficiency – the slow progress in finalising investigations into transgressions.
- **Revenue Management:** Finding that interest was not charged on debts relating to annual petroleum fees, as required by treasury regulation.
- **Strategic Planning and Performance Management:** The AGSA states that specific information systems were not implemented to enable the monitoring of progress made towards achieving targets, core objectives and service delivery
- **Material Performance reporting issues on Programme 2:** The planned indicator and target is an achievement of 2 955 mining licensing backlog eliminated against a target of 2 470. AGSA finds that the indicator is not well defined and the methods of calculation for achieving the planned indicator was not clearly defined.
- A similar finding regarding the ***number of rights and permits granted and/or issued to Historically Disadvantaged South Africans (HDSA) controlled entities,*** the AGSA finds that the source information and method of calculation for achieving the planned indicator was not clearly defined.

It is important to note that some of the AGSA findings are a repeat of the previous financial year, particularly the issue of interest not charged, fruitless and wasteful expenditure related to the storage fees, and the issue of revenue collection.

3. AN OVERVIEW OF THE PERFORMANCE OF THE DEPARTMENT'S ENTITIES

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

Out of the eleven (11) entities reporting to the Department, six (6) entities obtained a clean audit, namely, the State Diamond Trader (SDT), Mintek, National Radioactive Waste Disposal Institute (NRWDI), National Nuclear Regulator (NNR), South African Diamond and Precious Metal Regulator (SADPMR), and South African National Energy Development Institute (SANEDI).

Central Energy Fund (CEF), National Energy Regulator of South Africa (NERSA), Council for Geoscience (CGS), South African National Energy Corporation (NECSA) and Mine Health and Safety Council (MHSC) are the five (5) entities which obtained unqualified audit outcomes with findings.

According to the AGSA, drivers for a clean audit are; effective implementation and monitoring of audit action plans, stability in key positions, tone at the top – such as culture of no tolerance for irregularities, timely implementation of the audit recommendations, improvement in the control environment especially around record keeping and review of financial statements, less reliance on consultants, effective in-year monitoring and being serious about preventive controls.Therefore, the above six (6) entities successfully mastered what is required to attain a clean audit by implementing good governance.

3.1 National Energy Regulator of South Africa (NERSA)

NERSA is the single regulatory authority established in terms of the National Energy Regulator Act, 2004. NERSA's mandate is to regulate the electricity, piped gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006, Gas Act, 2001, and Petroleum Pipelines Act of 2003.

The entity received an unqualified opinion with findings for the 2023/24 financial year, a step back from the clean audit opinion received in the previous financial year, 2022/23. Theentity also continued to report a net loss for the year of R43.3 million which is an increase onthe loss of R40.1 million in the previous financial year. However, the entity's performance against the Shareholder's Compact improved where 63 of the 65 key performance indicators (KPI's) or 97 per cent was achieved. This is an improvement on the previous year's performance where only 62 of the 70 KPI's or 89 per cent was achieved. However, given the findings on its performance management this achievement is questionable. Thus, although there has been an improvement in performance, financially the entity is still posting losses.

3.2 National Nuclear Regulator (NNR)

The NNRhas the fundamental objective of protecting persons, property, and the environment against nuclear damage by establishing safety standards and regulatory practices suited for South Africa.

The entity received a clean audit (an unqualified opinion without any findings) for the 2023/24 financial year, maintaining its audit finding from the previous financial year, 2022/23. The entity also continued to report a surplus for the year of R44.5 million which is a decrease on the surplus of R49.0 million in the previous financial year. However, the entity's performance against the Shareholder's Compact improved where 20 of the 22 key performance indicators (KPI's) or 90.9 per cent was achieved, not using the weighted score the NRR uses. This is slightly lower than the previous year's performance where 19 of the 20 KPI's or 95 per cent was achieved

3.3 South African Nuclear Energy Corporation (NECSA)

NECSAis responsible for research and development in the field of nuclear energy and radiation sciences, processing source material, including uranium enrichment. NECSA cooperates with other institutions, locally and abroad, on nuclear and related matters for the promotion of socio-economic development in South Africa, as well as executing institutional responsibilities on behalf of government.
The entity received an unqualified opinion for the 2023/24 financial year, an improvement on the qualified opinion received in the previous financial year, 2022/23. The entity also continued to report a net profit after tax (NPAT) of R108.7 million with a total comprehensive income of R149.3 million. Although slightly below what was achieved in the previous financial year of R125.5 million NPAT and a total comprehensive income of R145.3 million, it still shows a sustained improvement. This is also reflected in the performance against the Shareholder's Compact where 14 of the 15 key performance indicators (KPI's) or 93 per centwas achieved. This is an improvement on the previous year's performance where only 11 of the 15 KPI's or 73 per cent was achieved. This shows continued and sustained improvement in business and governance performance.

3.4 National Radioactive Waste Disposal Institute (NRWDI)

NRWDIis responsible for the development and implementation of programmes for safe storage and disposal of spent nuclear fuel or high-level radioactive waste and long-term intermediate-level waste on a national basis.

The entity received a clean auditfor the 2023/24 financial year, maintaining its audit finding from the previous financial year, 2022/23. The entity also continued to report a surplus for the year of R133 266 which is a decrease on the surplus of R4.1 million in the previous financial year. However, the entity's performance against the Shareholder's Compact declined from 83 per cent achieved in the 2022/23 financial year, to 75 per cent in the year under review, 2023/24 financial year.

3.5. South African National Energy Development Institute (SANEDI)

SANEDI mandate is to direct, monitor and conduct energy research and development, promote energy research and technology innovation as well as undertake measures to promote Energy Efficiency (EE) throughout the economy.[5]

The entity received a clean audit for the 2023/24 financial year, maintaining its audit finding from the previous financial year, 2022/23. The entity reported a deficit of R58.9 million for the 2023/24 financial year, a decrease on the surplus

[5]SANEDI (2024a)

of R18.2 million reported in the 2022/23 financial year. However, the entity reported that it has achieved 98 per cent of its output indicators for the 2023/24 financial year.

3.6. Council for Mineral Technology Research (Mintek)

Mintek is Schedule 3B public entity established under the Public Finance Management Act (PFMA) and is therefore a national business enterprise which receives funds from the national government.Mintek derives its mandate from the Mineral Technology Actto meet a national imperative to promote mineral technology and foster expansion of industries in the field of mineral and products through research, development and technology transfer.

The core business of Mintek is across the mineral value chain, from **exploration and mining, concentration, mineral extraction, refining and value addition and post mining and landscaping.** Mintek operations are structured into **three clusters**, namely **research and technology innovation** to enable the development of mineral processing technologies and develop value added products and services. **Industry support** which focuses on fostering the establishment and expansion of industries in the field of mineral and products. Lastly **human capital development** which is focused on investing in the development of skills and knowledge in the mineral sector.

In order to achieve its mandate, Mintek has indicated five (5) programmes with specific sub-programmes, namely:

(i). Applied Research and Technical Innovation
(ii). Industry Establishment and Expansion
(iii). Capable Workforce
(iv). Research and Development Infrastructure
(v). Financial Sustainability

Below is the overall performance of Mintek over 2023/24 financial year.

Table 5: Overall Performance of Mintek for 2023/24 Financial Year

Programme	Total Targets	Achieved Targets	Not Achieved Targets
Applied Research and Technical Innovation	7	7 (100%)	0
Industry Establishment and Expansion	5	5 (100%)	0
Capable Workforce	8	6 (75%)	2
Research and Development Infrastructure	6	5 (83%)	1
Financial Sustainability	5	5 (100)	0
Total	**31**	**28 (90%)**	**2**

Source: Mintek Annual Report 2023/24

As can be seen in the table 1 above, Mintek has set itself 31 performance targets for 2023/24 financial year. **Mintek achieved 28 or 90 percent of the targets** and fell short by 3 targets. The achieved targets are above 80 percent which is above the National Treasury benchmark for National Departments therefore Mintek performance is satisfactory.

Four (4) of the total five (5) programmes, Mintek achieved 100 percent of the performance targets and the remaining one (1), Mintek manged to achieve six (6) out of the eight (8) targets or achieving 75 percent of the performance target. Below are further details of the targets achieved and not achieved.

Applied Research and Technical Innovationachieved 100 percent of its planned targets, and even surpassed this output by 49 percent. Mintek planned to publish 45 journal papers and published 67. Similarly, Mintek planned to publish 45 conference papers and published 50. Impressively, Mintek planned to achieve 7 chapters of books and ended the financial year with 17 chapters.

The ***Industry Establishment and Expansion*** programme had five (5) performance indicators and Mintek achieved all outputs. Importantly, Mintek planned to have eight (8) new products, services, prototypes, processes and/or models demonstrated/validated in a relevant environment, and by the end of the financial year achieved 15. Mintek also surpassed its planned income target from the sale of products and services. Mintek planned R219.4 million for the 2023/24 financial year and achieved R389.6 million in sales, surpassing its target by 77 percent.

The ***Developing a Capable Workforce*** programme has a 75 percent performance rate achievement. Mintek had 8 performance indicators and achieved 6. Mintek planned to have 47 percent female SET staff and achieved 46 percent by the end of the financial year. Planned to have 25 percent SET staff with master's degrees and achieved 24 percent.

Planned to have 17 percent of SET staff at junior level and staff at middle and senior level at 27 percent. Mintek did not achieve these targets and ended the financial year with 16 percent and 21 percent respectively.

The ***Research and Development Infrastructure*** programme had six (6) performance targets and Mintek achieved five (5). The only target that Mintek did not achieve in this programme was lost time injury frequency rate which was 0.4 and the planned target was 1.

The ***Financial Sustainability*** programme has five (5) targets and Mintek achieved all 5 by the end of the financial year. Notably, **Mintek surpassed its planned income of R584.7 million where Mintek received 765.6 million, thereby surpassing its target by 31 percent.** Mintek also **surpassed the BEE spend by 11 percent to hit a target of 100.1 percent through procurement expenditure on B-BBE level 1 and 2 vendors.**

In terms of financial performance, by the end of the 2023/24 financial year, Mintek **total income is R765.6 million**. The **total expenses of R760.5 million** which consists of compensation of employees of R312 million and operating expenditure of R293 million, and depreciation of R39 million.
The total funds received from Government was **R502 million** by 31 March 2024. and R453 million by 31 March 2023. The itemised funds received by 31 March 2024 are listed in table 2 below:

Focusing on the core mandate of Mintek, **the investment in research and development amounts to R278.9 million and the products and services amount to R389.7 million.**

Table 6: Itemised Government Funds Received by Mintek by 31 March 2024

Government Funds to Mintek by 31 March 2024	Allocation/ Name of Grant/Funds	Amount (R)
Department of Mineral Resources and Energy	State Grant	R318 million
Department of Mineral Resources and Energy	Medium Term Expenditure Framework (MTEF)	R0
Department of Mineral Resources and Energy	Asbestos	R124.5 million
Department of Mineral Resources and Energy	Other	R549, 500
Department of Science and Innovation	-	R49 million
National Research Fund	-	R2.4 million
Mining Qualifications Authority	-	R3.4 million
CSIR	-	R39 000
Water Research Council	-	R600 000
Technology Innovation Agency	-	R3.3 million
Total		**R502, 9 million**

Source: Mintek 2023/24 Integrated Annual Report.

Regarding human resources, the total staff at Mintek at the end of March 2024 was **566 staff members**, with **249 staff members of the science engineering and technology (SET)sector**. Therefore, **44 percent of staff are SET staff**. The gender split is 44 percent (250) female and 56 percent (316) male for the entire staff. During the period under review Mintek hired 62 new SET staff.

Mintek states in the annual report that there is a **high SET staff turnover** which results in a younger less experienced SET workforce and qualification levels that are not competitive for a global research and development institute. This has impacted the achievement of Mintek's performance targets of developing a capable workforce.

3.7 Mine Health and Safety Council (MHSC)

The MHSC is mandated to provide advisory services to the Minister of the Department of Mineral Resources and Energy on all mine health and safety issues including legislation, research and promotion, Review and develop legislation for recommendation to the Minister (Focus on Regulations), Oversee and undertake mine health and safety research in the mining industry – Health and Safety policy and best practice, Liaise with other like-minded bodies concerned with health and safety issues (Mining Qualifications Authority (MQA) State Departments and various stakeholders), Promote mine health and safety culture in the mining industry, Host a biennial Summit to review mine health and safety performance in the industry. The MHSC reported that there has been a 72% reduction on occupational diseases reported by the mining sector, from 6577 in 2014 to the lowest of 1864 in 2023. The Sector had a 16,5% reduction in the diseases from 2233 in 2022 to 1864 in 2023. Highest Pulmonary tuberculosis (TB) cases were reported during 2015 and the lowest during 2023. The sector reported the highest Noise Induced hearing Loss cases during 2015 and the lowest during 2023.Highest number of silicosis cases reported by the sector were in 2013 and the lowest in 2023.Highest Coal Workers Pneumoconiosis cases were reported in 2013 and the lowest in 2021.

Mining sector reported highest TB incident rate of 957 during 2014. The lowest rate of 200 was reported in 2023. The TB rate is lower than the national rate, the Council said.
According to the MHSC, there has been significant reduction of fatalities in the sector. Lowest fatalities on recordedwas reported during 2022. There was an increase in fatalities during 2023.

Prior to the deeply regrettable accident at Impala, the sector went for almost five years without a mine disaster. Historically, the major contributors of disasters were Rockburst, Rockfall, Explosion, Fire and shaft accidents.

3.8 State Diamond Trader (SDT)

The mandate of the SDT is to: Buy and sell rough diamonds,Promote equitable access to and beneficiation of the country's diamond resources., Grow and transform South Africa's diamond-cutting and polishing industry, Enable and increase participation of Historically Disadvantaged South Africans (HDSA) in the diamond beneficiation industry, Purchase up to 10% of the run-of-mine (ROM) production from all diamond producers in SouthAfrica as empowered by Section 59B of the Diamonds Act, Sells to beneficiation licence holders who are registered customers.

During the 2023/24 financial year, the entity had 12 (twelve) strategic targets planned and due to the depressed diamond markets only 5 (five) targets were achieved. Subsequently, the percentage achieved was 42%.

The SDT underperformed against its budgeted purchases target by R290 million, purchasing rough diamonds to the value of R606 million. The SDT underperformed against its budgeted sales target by R309 million, achieving a sales value of R631 million and achieving a gross margin of only R10 million, underperforming against its budgeted gross margin by R34 million. It should be noted that the Purchasing figures relate only to purchases made during the 2023/24 financial year. The Sales figures relate to all purchases made during 2023/24 financial year and includes stock that was carried over from the 2022/23 financial year. It should be noted that the stock that was carried over incurred losses due to drastic decline in rough diamond prices because of the depressed markets. The gross margin considers the profit and loss that was made from all trading activities within the 2023/24 financial year.

There was also a reported a decrease in both carats (volume) and value inspected by 29% and 37% respectively of rough diamonds presented to SDT to inspect by 35 producers. The average dollar price per carat also decreased by 11% compared to 2022/23. The decline is due to decreased production levels of the largest producers by more than 60%.

3.9 Council for Geoscience (CGS)

The CGS is the legal successor of the Geological Survey of South Africa, which was formed in 1912 by the amalgamation of the former Surveys, the oldest of which – the Geological Commission of the Cape of Good Hope, founded in 1895. The Geoscience Act, Act 100 of 1993, as amended, established the CGS in its present form. The CGS is listed as a Schedule 3A Public Entity in terms of the Public Finance Management Act (PFMA) (Act No. 1 of 1999).The role of CGS is to be a national custodian of geoscientific information and knowledge.

During the year under review, CGS obtained an unqualified audit opinion for the AGSA, regressed from a clean audit in the previous financial year. The reason cited for the regression is that a Chief Financial Officer resigned during the year under review. Further, the Council achieved 91% of its set performance targets for the 2023/24 financial year.

3.10 South African Diamond and Precious Metals Regulator (SADPMR)

The SADPMR executes its mandate through three (3) programmes, namely Administration, Trade and Regulatory Compliance. The number of performance targets of the entity, with the three (3) programmes combined, was fifty-nine (59) for the 2023/24 financial year. Of the 59 targets, 56 were achieved, which translates into 95 percent of the targets achieved. This is an improvement from the 88 percent that was achieved in 2022/23 financial year. The three (3) target not achieved during 2023/24 financial year relates to the Administration Programme wherein a Board Assessment was not conducted. In response to a performance indicator of ensuring good corporate governance, the SADPMR Board Assessment was supposed to be conducted, and it was not conducted. The reason cited for the deviance by the SADPMR is that the Department of Mineral Resources and Energy (DMRE) issued a directive in October 2023 which cancelled submissions of Board assessment for the 2023/24 financial year. However, details of the directive and the rationale for it are not provided in the Annual Report.

Another target not achieved is the number of women employed by the Regulator. The target was to have 62 percent of women representation in the organisation; however, 60 percent was achieved. The reason cited for non-achievement is that three (3) women terminated their employment during the year under review.

In summary, the Administration programme achieved 32 of the 33 set performance targets for the 2023/24 financial year. The Trade Programme achieved 100 percent of its nine (9) performance targets. Similarly, the Regulatory Compliance Programme achieved 100 percent of its set sixteen (16) targets for the 2023/24 financial year. It is important to note the objectives of each programme to better understand the significance of each programme. Table below summerises the aims of each programme.

Table 7: SADPMR Programmes

PROGRAMME	AIM
Administration	The Programme aims to provide efficient administrative support by ensuring that human resources, management, and information communications technology services are effectively operational and always maintained, whilst being responsive to the needs and aspirations of the SADPMR's stakeholders.
Trade	The Programme is responsible for the facilitation of local trade as well as international trade (imports and exports) of diamonds in accordance with the KPCS to ensure that diamonds are traded at fair market values.
Regulatory Compliance	The aims of this programme are to ensure compliance with the legislative requirements in the diamond and precious metals industries, and to improve transformation, competitiveness, sustainable development, and job creation in these industries.

Source: South African Diamond and Precious Regulator Annual Report, (2023/24)

Regarding financial performance, the Regulator did not perform well, it was affected by the economic downturn, it argues in the annual report. As a schedule 3A public entity, SADPMR receives a grant from the DMRE. It also raises internal revenue from the licenses it issues and the services it renders. It is commendable that the Regulator obtained a clean audit opinion from the Auditor General of South Africa for the 2023/24 financial year. Table 8 below provides a synopsis of the SADPMR budget for the 2023/24 financial year.

Table 8: SADPMR Budget/Revenue for 2023/24

Revenue source	Amount
Government Grants and Subsidies	R63,136,000
Other Grants*	R1,232,873
Rendering of Services	R1,232,873
Interest Earned*	R6,796,793
License Fees and Permits	R4,180,256
Other revenue	R367,403
Total revenue	**R116,436,707**

Source: SADPMR Annual Report, (2023/24)

***Interest earned: The interest is earned from the entity's various bankers for positive balances, particularly on its call deposit accounts at rates between 8.1% and 8.25% per annum.**
***Other revenue: Other revenue are from the Transport Education Training Authority (TETA) and Mining Qualifications Authority (MQA) to fund Workplace Experience training for interns and the Management and Executive Development Programme (MEDP).**

As evident above, the total budget or revenue for the SAPDMR for the 2023/24 financial year was R116,4 million, down from R128.4 million in the previous financial year, 2022/23. The Regulator spent R129.4 million in the 2023/24 financial year, resulting in R14.4 million shortfall. A key reason cited by the Regulator for the decline in revenue is the depressed diamond industry resulting from low production and low diamonds value. As per the annual report, total diamond output in 2023 was 5.8 million cats valued at $794 million – a reduction from 9.6 million carats, valued at $1.5 billion in 2022. South Africa was previously ranked fifth (5th) in the world in terms of both carat production and value of diamonds.[6] However, according to the annual report, it now ranks sixth (6th) in the world.

Furthermore, there is a reported downturn in the beneficiation of diamonds. It is reported in the annual report that 130 975 carats were beneficiated in 2023, compared to 234 109 carats in 2022. On the other hand, gold production slightly increased to a total output of 96.7 tons in 2023 compared to 92.7 tons in 2022. South Africa is ranked 13th globally, contributing 2.7 percent to the world's total gold production.

It is reported that fabrication of gold in jewellery declined to 1 030 kilograms in 2023, compared to 1 482 kilograms in 2022 – this is attributed to the rise in gold prices. The production of platinum and rhodium also declined during the period under review.

The Diamond Exchange and Export Centre (DEEC) also saw a decline in the issuance of Kimberly Process Certification in line with the number of people accessing the centre. Another challenge cited by the Regulator is the issue of Lab-Grown Diamonds (LGD) which impact South Africa's natural diamond industry.

[6] Parker, (2023)

Another issue that is a challenge for the diamond industry is that the Russian produced diamonds were sanctioned by the G7 during Russia-Ukraine conflict. The Regulator argues that this has led to the lack of a standardised G7 valuation process.

3.10.1 Human Resources

For the 2023/24 financial year, the SADPMR had a total of 116 funded posts. By the end of the year under review, the Regulator had four (4) vacant posts, resulting in a vacancy rate of 8.3 percent. All the vacant posts were in the administration programme. About 60 percent of the workforce in SADPMR are women. Only 2 percent of people living with disabilities are employed by the SADPMR. In terms of learnerships and internships, the Regulator had a total of seventeen (17) interns, of which two (2) left before the end of the financial year due to better employment offers elsewhere. When taking the fifteen (15) in terms into account, the total number of employees in SADPMR during the 2023/24 financial year was 126. According to the annual report, twelve (12) interns were funded through SAPMR, and five (5) were funded by the Mining Qualifications Authority.

3.11 Central Energy Fund Group

The Central Energy Fund (CEF) SOC Ltd (CEF) is a state-owned company mandated by the Central Energy Fund Act (The CEF Act) and is the holding company of subsidiaries through which it conducts its business and together constitute the CEF Group of Companies. The CEF Act mandates the company to, support security of energy supply throughout the value chain compromising exploration, production and supply of coal, gas, liquid fuels and other primary energy sources. As the holding company, CEF SOC assumes the role of strategic controller, providing leadership, oversight, and monitoring of governance and business performance for its subsidiaries. The main CEF Group subsidiaries are:

- Petroleum Oil and Gas Corporation of South Africa (**PetroSA**) is the national oil company of South Africa. Its main activities are exploration and extraction of natural gas and oil fromoffshore fields in South Africa, production of synthetic fuels from gas through gas to liquids refinery.
- Strategic Fuel Fund (**SFF**) is responsible for acquiring and maintaining strategic fuel stocks and provide the country with security of supply of hydrocarbons and related infrastructure in case of emergency.
- African Exploration Mining and Finance Corporation (**AEMFC**) is responsible for securing South Africa’s energy supply primarily through the mining and supply of coal for the generation of electricity as well as securing other resources that will provide energy for future, including key minerals for beneficiation in the energy and steel value chain.
- South African Gas Development Company (**IGas**) is responsible for developing the gas infrastructure for South Africa and developing the gas market in the country.
- Petroleum Agency of South Africa (**PASA**) is responsible for and regulation of the upstream petroleum industry in South Africa both onshore and offshore.
- South African National Petroleum Company (**SANPC**) is a merger of three 100 percent CEF owned subsidiaries namely, the South African Gas Development Company (iGas), the Strategic Fuel Fund (SFF) and the Petroleum Oil and Gas Corporation of South Africa (PetroSA).

As a high-level summary on non-financial performance, the CEF group indicates that it prioritised the following key initiatives over 2023/24 financial year; the merger of iGas, PetroSA and SFF to form the SANPC, stabilisation of PetroSA through the War Room, and AEMFC commercial sustainability.

In terms of a summary of the key performance indicators over the 2023/24 financial year, the CEF Group recorded the following financial and non-financial highlights:

- R522.1 million net loss which is lower than prior year by R2.3 billion.
- R37.6 billion in the CEF Group total assets.
- R15 billion in cash and cash equivalents which is 14 percent higher than the previous financial year.
- Gas to Liquids (GTL) Refinery is in care and maintenance
- Klippoortjie Mine Project is operationalised.
- South African Petroleum Refineries (SAPREF) Acquisition.

The following section provides an overview of the financial and non-financial performance of each of CEF Group subsidiary performance over 2023/24 period.

African Exploration Mining and Finance Corporation (AEMFC)

The AEMFC confirms an operating profit of R112.5 million over 2023/24 financial year. This is a 19.9 percent increase when compared to the previous financial year and surpassing the budget by 4.5 percent. During the period under review, AEMFC’s overall corporate performance against pre-determined objectives was 63 percent or put differently from a total of 24 planned targets, 15 targets were achieved, and 9 targets were not achieved for 2023/24. The nine (9) targets not achieved were:

- AEMFC planned to divest from African Royalty Minerals during 2023/24 however this target was not achieved, there was no divestment. The reasons provided by AEMFC is that there was a withdrawal of the offer to purchase by the counter party.
- AEMFC planned to strengthen the company financial position, profitability and liquidity by having a debt-to-equity ratio of 1.8. This was not achieved and AEMFC achieved 0.95 and did not have reasons for the deviation.
- AEMFC planned to diversify into coal export markets through Quattro Scheme Allocation revenue, and this was not achieved. The reasons for deviation were that railing operational interruptions and underutilisation of the allocated railing capacity led to a shortfall.
- AEMFC set a target to develop its mining assets in energy and digital transition minerals by securing prospecting and mineral rights in energy transition minerals (lithium, cobalt, manganese, copper and rare earths), by the end of the financial year this was not achieved. The AEMFC indicates that 10 prospecting rights are lodged and at various stages of the required environmental assessment and consultation phases.
- AEMFC planned to develop a stakeholder management policy and framework for engagement during 2023/24 however this was not achieved. The reason provided is that capacity challenges and that the appointment of the relevant official took place at the end of the 2023/24 financial year resulted in the failure to achieve this target
- A capabilities and competencies framework were not achieved as a performance target and capacity challenges and the appointment of the relevant official took place at the end of the 2023/24 financial year was provided as reason for the deviation.
- AEMFC planned to formally review the corporate services systems and processes policies and procedures however failed to achieve this target. Capacity challenges and the appointment of the relevant official took place at the end of the 2023/24 financial year was provided as reasons for the deviation.
- Draft skills audit, mining competency requirements and benchmarking exercises was another planned performance target not achieved by AEMFC. Capacity challenges and the appointment of the relevant official took place at the end of the 2023/24 financial year was provided as the reason for not achieving this performance target.
- AEMFC planned to finalise the remuneration and incentives scheme framework linked to performance management policies and procedures, however, this was not achieved. The reasons for the deviation from this performance target is that there were capacity challenges, and the appointment of the relevant official took place at the end of the 2023/24 financial year.

However, AEMFC reported a net profit of R64 million compared to R70 million reported in the previous financial year. CEF indicates that the decrease in profit is due to the impairment of the investment in during the financial year in African Royalty Minerals.

South African Gas Development Company (iGas)

iGas reported a net profit of R856 million in 2023/24 compared to a profit of R772 million in the 2022/23 financial year. CEF reports that the increase of profit is due to the increase in the share of profits in ROMPCO.

Petroleum Agency of South Africa (PASA)

PASA reported a net profit of R7 million in 2023/24 financial year compared to a net loss of R13 million reported in 2022/23. In terms of performance six (6) of the nineteen (19) Outcomes for 2023/24 were not achieved during the financial year. Below is the performance targets not achieved, and the explanations provided to account for the deviations:

- PASA failed to present a position paper to the board on energy transition and climate change mitigation by 31 March 2024. The explanation by PASA for not achieving this target is that the motivation for the appointment of the service provider required new approval as the cost of the successful bidder was more than the budgeted R500 000.
- PASA was unable to establish a perception baseline and implement a response strategy by 31 March 2024 as part of stakeholder management. PASA indicates that as part of cost-saving initiatives, and as the CEF Group Corporate Perception Survey had similar objectives, it was used instead of duplication of efforts and saving financial resources
- PASA failed to sign a collaboration agreement with one strategic partner by 30 September 2023. PASA indicates that a formal service level agreement between PASA and Maritime Business Chamber was signed after the timeframe indicated.
- PASA had a target of a communications strategy to be signed off by the board by 31 March 2023. PASA explains that the interim communication and stakeholder engagement was presented to the board however it was deemed incomprehensive and the board provided guidance to outsource the service to a suitable service provider which will undertake the process during 2024/25.
- PASA performance target included project report on the baseline data for shale gas regulation and understanding the shale gas resource potential. PASA indicates that the project plan was implemented on time and within budget and the progress report was submitted to the DMRE on 31 March 2024.
- PASA had a performance target to have all business processes, policies and procedures accurately documented, mapped and reflected in the management plan for automation. PASA explains that the automation for selected business processes was completed by the 31 March 2024 and the business process automation report was

submitted. However, out of 13 business processes that were identified 5 were completed, 3 were put on hold and the rest were awaiting the procurement process to conclude.

PetroSA

PetroSA reported a net loss of R1.2 billion in 2023/24 financial year compared to a net profit of R1.4 billion in the 2022/23 financial year. CEF indicates that this is due to the high fixed costs for the maintenance of the GTL Refinery not being operational and the environmental liability compared to the previous financial year.

Strategic Fuel Fund (SFF)

SFF reported a net loss of R313 million in the 2023/24 financial year, compared to a net loss of R341 million reported in 2022/23. CEF states that this is due to market conditions which remained backwards with the oil price until the year end.The bulk of SFF's revenues come from crude storage. If the market is backwardated it means that the oil prices are high, and nobody is storing crude oil as prices are good for selling it. If the opposite is true (Contango) and the oil prices are low people store crude and hope to sell it when prices are high. For the past 2 years, the prices have been high, and nobody has been storing meaning that SFF has not been making money.

Central Energy Fund (CEF SOC)

CEF reported a net profit of R127 million compared to a profit of R169 million reported in the previous financial year. The decrease in profit is explained as the impairment of a PetroSA loan and the increase in operating expenses because of the merger costs and advisory services.

4. DISCUSSIONS ON THE ANNUAL REPORTS

4.1 Auditor General of South Africa

The Committee Members were pleased that six (6) of the eleven (11) entities of the Department had obtained a clean audit. This is consistent with the audit outcomes of the previous financial wherein six (6) entities obtained a clean audit. It was also encouraging for the Committee to hear two (2) entities, namely, SDT and Mintek improved from an unqualified audit outcome in 2022/23 to a clean audit in 2023/24. Regrettable, CGS regressed from a clean audit outcome in 2022/23 to unqualified audit opinion. The AGSA confirmed with the Committee that CGS regressed because of having an acting Chief Financial Officer (CFO) for longer than six (6) months. This impacted on the in-year reviews of controls that produce the financial statements. The regression is because of material corrections in 3 areas/ line items on the financial statements. When asked if there is a correlation between vacant CFO posts and poor audit outcomes, AGSA confirmed this to be correct. An example was made that African Exploration Mining and Finance Corporation (AEMFC) progressed from a disclaimer in 2022/23 financial year to an unqualified audit outcome – the AGSA attributes this to a permanent CFO that was appointed during the year under review. Unfortunately, NERSA regressed as well. The entity has had clean audit outcomes in the previous two (2) audit cycles and regressed as a result of not focusing its performance information to align to its core mandate.

During the year under review, the Committees commended the improved audit outcomes of the CEF Group and NECSA. In the past 5 years, the two (2) entities were battling with numerous governance challenges, resulting in them obtaining disclaimer audit outcomes or not submitting annual reports to Parliament. Both entities have obtained an unqualified audit outcome for the 2023/24 financial year. With NECSA, compliance findings on revenue management, consequence management and annual financial statements remains a challenge.

With CEF Group, governance issues and compliance with legislative prescripts continues, such inadequate contract management, a bidder was incorrectly eliminated although mandatory requirement was met. Moreover, PetroSAaccepted forged documentation and approved a credit limit of R12 million to a new customer (fictitious company) expressing an interest to purchase diesel fuel. The officials assigned to the implementation of the company’s internal controls relating to the approval of a new customer did not identify the fictitious nature of the customer, resulting in contravention with section 57(a) of the PFMA.The fictitious company uplifted 993 369 cubic meters (M3) of diesel at a cost of R11, 5 million.The non-compliance resulted in a material financial loss of R11, 5 million as no payment was received for the sale. AGSA further stated that of the R11,5 million, R83 million was recovered.

The repeat unqualified audit outcomes of the Department were welcomed, although an emphasis was that the aim should be a clean audit opinion. Key strategic issues which are of a concern that were found by the AGSA is that performance indicators of the Department are not aligned with its mandate. The Department disputed this; however, it was the same findings of the AGSA in the previous year. Fifteen years later, the National Solar Water Heater Programme continues to be a challenge. Year-on-year, fruitless and wasteful expenditure incurred on storage costs is reported by the AGSA. However, the Department argues that SWHs have been removed from private storage facilities and these have been installed in various municipalities across the country. However, the AGSA confirmed that it had not done physical verification of the solar water heaters that had been installed but relied on the report that was provided by the Department.

Another key strategic issue raised by the AGSA which puzzled the Committees was that the Independent Power Producers Office (IPPO) has remained an unincorporated and unlisted entity since its establishment in 2010 through a tripartite Memorandum of Agreement (MOA) between the DMRE (as the programme owner), the National Treasury represented by the Government Technical Assistance Centre (GTAC) (handling the treasury function), and the Development Bank of Southern Africa Limited (DBSA) (acting as the administrative agent and host of the IPP Office). Since the office's inception, the MOA included a provision that the Joint Implementation Committee should explore the institutionalization of the entity. According to the AGSA, this process has been ongoing for over a decade and the IPPO should be institutionalised.

4.2 Department of Mineral Resources and Energy

The Committee heard that the Department obtained the same unqualified audit outcome from the AGSA as with the previous financial year and that it had improved from 58% it had achieved in 2022/23 to 75% in the 2023/24 financial year. However, the AGSA reported that the Department had achieved 76% of its set performance targets. This discrepancy was questioned by Committee Members, the Department stated that it noted the difference, and the information used for performance assessment was the same. Committee Members particularly questioned this discrepancy considering the AGSA findings that performance indicators of the Department to a certain of its entities are of poor quality.

The AGSA had found that 'Indicator/target achieved in the prior year were included inthe current year annual performance plan, Indicators were not measuring the core mandate,indicators were not supported by definitions and standardoperating procedures (SOPs) that allow verifiability of theprocesses followed toconsistently collect and report onthe performance information, Misalignment between strategic priority initiative, targetand reported achievement, Misalignment between intended purpose of indicator,source of verification for reported performance' information, and poor quality performance indicators and targets'. The AGSA added that 'unreliable performance reporting is adding to the challenge of poor service delivery.Implementation of sound preventative controls is imperative to address theseconcerns and enable government to have a positive impact on the lives of the citizens of South Africa. The Department once again disputed these findings from the AGSA and indicted that when annual performance plans are developed, the Department consult the AGSA.The Department stated that it will further engage the AGSA on these differences.

Regarding concerns on poor implementation of the National Solar Water Heater Programme, the Department stated that 60 000 solar water heaters had been installed, 11 000 to be installed between October and December 2024, 13 000 are with the installers who are refusing to handover, arguing that the Department should first pay. The Department indicated that fruitless and wasteful expenditure as reported by the AGSA is historical, it will remain and be reported until the Department is called by the Standing Committee on Public Accounts (SCOPA).

Committee Members questioned the use of the term "ownerless' mines. This was in reference to a report by the Department that of the three (3) Derelict and Ownerless (D&O) mines to be sealed in 2023/24 financial year was not sealed due to community in a village in Limpopo. The Department explained that prior the promulgation of the Mineral and Petroleum Resources Development Act (MPRDA) in 2004, there was no obligation for mine owners to rehabilitate the land post mining. Therefore, all mines prior the promulgation of the MPRDA would be regarded as ownerless as there was no obligation to rehabilitate the land, as explained above. It was in this context that Members wanted details of operating mines and mine inspectors.

Regarding the Integrated National Electrification Programme (INEP), the Department acknowledged that it had fell short by 26% on grid electrification target and by 48% on the non-grid electrification programme. According to the Department, South Africa has electrification backlog of 2 million. The highest backlog is in Gauteng, North West and Eastern Cape provinces.

Concerning the cadastral system, the Department reaffirmed its commitment that the system would be live by June 2025. For transparency and to bring about industry confidence, the Department committed to meet with Mineral Council South Africa on a quarterly basis.

Members noted that, the Free Basic Electricity (FBE) policy was promulgated in 2003, the only tool to support households with their electricity needs by providing them with 50 kWh of free electricity every month, howeversince 2003 the 50 kWh was never reviewed. Further, the exponentialincrease in electricity prices requires an intervention and to be reviewed.The Department responded that there are plans to review the FBE amount through the Electricity Pricing Policy.

The Department stated that it is committed to the New Nuclear Build Programme (NNP), it paused under the direction of the Electricity and Energy minister to ensure that all due processes, including meaningful public consultation are properly followed.

Furthermore, the Department is committed investing and promoting the upstream petroleum industry and that there is a huge potential for oil and gas finds in the orange basin. However, some Committee Members emphasised the importance of finalising the Integrated Energy Plan (IEP) to address concerns of the environmental organisations that opposes the development of the upstream petroleum industry.

About the legal status of the IPP Office, the Department had a different understanding of the role and function of the Office. The Department argued that the role of the IPP Office as to perform procurement functions on behalf of the Department. It was further added that the IPP Office has its internal annual performance plan and that the AGSA audit the IPP procurements.

4.3 South African Nuclear Energy Corporation (NECSA)

- Members commended NECSA on their improvement of their audit outcomes, and the continued profitability of the entity. NECSA obtained an unqualified audit opinion, an improvement when compared to the qualified audit opinion in the previous financial year, 2022/23.
- South Africa is amongst the top three (3) countries in the world relating to uranium reserves. On manufacturing South Africa is not even in the top ten (10), so there is still a huge opportunity in that front-end.
- According to NECSA they are preparing to participate more in the front-end of the fuel cycle. To prepare uranium for use in a nuclear reactor, it undergoes the steps of mining and milling, conversion, enrichment and fuel fabrication.
- Currently, NECSA does not enrich uranium, however according to Nuclear Energy Act the entity should be doing it. The entity is currently looking into this matter.
- There is also an opportunity for South Africa relating to the conversion of uranium, i.e. converting uranium from a solid to gas before one make the fuel. According to NECSA, there is a huge need for the conversion of uranium and South Africa needs to ensure the availability of a plant which can do the conversion.
- NECSA is in the process of signing an MoU (Memorandum of Understanding) with an American company, which is working on the development of small modular reactors, as they are of the opinion that South Africa can get the facility going, quicker.
- NECSA is also in the process of signing an MoU with counterparts in Namibia, in order to solidify areas of cooperation, as they are one of the biggest producers of uranium on the continent.
- NECSA states that the flattening of its profits was due to increasing nuclear fuel costs.
- One of the reasons for NECSA’s findings on revenue management is that Pelchem has not been paying NECSA for its services, which has helped the subsidiary stay in business.

4.4 National Energy Regulator of South Africa (NERSA)

- NERSA regressed from a clean audit to an unqualified audit with findings for the 2023/24 financial year.
- According to NERSA, the AGSA pointed out that targets or key performance indicators (KPIs) related to one of the core functions were missing, that is “enforcement performance and compliance and taking appropriate steps in case of non-performance”.
- Members questioned the challenge of NERSA regarding the delay in the development of regulatory tools (standard processes, rules, frameworks, pricing methodologies, etc.). NERSA explained that they currently do have regulatory tools which they are using. NERSA stated that as they were amending their regulatory tools, they were cognisant of the Electricity Regulation Amendment Act, which introduces market operators and introduces different things. As they were revising their current methodology, they realised that if they delay that, they will have a methodology that will be available for one year, with the result that this will confuse the market.
- NERSA receives its revenue from levies, relating to electricity (calculations amount of MW hours generated) and pipelines, which are approved by the Minister.
- Onthe tariffs which are approved by NERSA, NERSA stated that they have had court cases with the City of Cape Town (CoCT) regarding the implementation of approved NERSA tariffs. NERSA confirmed that they have written non-compliance letters to the CoCT. NERSA explained that if an entity is fined by NERSA and it does not pay that fine – it is not an offence. According to NERSA, most municipalities know this, and they will simply not pay the fine. The Electricity Regulation Amendment Bill (ERA A/B) has however changed this, where NERSA will have more “bite” or power.
- On revocation of the license, the NERSA stated that this process will take at least eighteen (18) months to do – with the current legislation it includes the Member of the Executive Council (MEC) and several other processes. However, the amended ERA Act provides for measures/processes to expedite the process, when it is approved that the license has to revoked.
- Members pointed out that the electricity volumes will be declining going forwarded. NERSA explained that they have about 450 entities which are registered and those generate about 9 000 MW. NERSA further stated that there is an increase in self-generation or behind-the-meter generation and all of these do result in a decrease of electricity production.
- NERSA stated that they are continuously reviewing their retention policy and its incentive policy to ensure that the entity retain the skills required to perform its mandate.

- NERSA stated that they are an active member of the Regional Electricity Regulators Association (RERA) – mostly South African Development Community (SADC) countries and at this forum there is an exchange of information and an exchange of staff programme amongst the Regulators.
- Another forum on the continent is the African Forum for Utility Regulators (AFUR). This is a multi-sector forum which includes water, transport etc.
- NERSA stated that when they do have an accumulated surplus every year, they apply to National Treasury to retain that surplus, and they grant the approval.
- NERSA collect their revenue from levies and licensing fees, which is their only income.
- NERSA stated that over the years they have managed to ensure that their expenditure is within the budgets that are approved. However, they acknowledged that in recent years there are challenges relating to legal fees and the number of cases, which has increased.
- NERSA did not agree with the auditor that there was insufficient evidence to confirm performance. NERSA stated that they would package the information better going forward so that anyone would be able to verify the performance achieved.

4.5 National Nuclear Regulator (NNR)

- The NNR has received a clean audit from the AGSA for the past three (3) consecutive years.
- The NNR realised a surplus due to cost containment, however marginally declined when compared to the prior year. National Treasury approved the retention of surplus for the 2022/2023 fiscal year for the completion of Cape Town Office Construction and Head Office maintenance projects
- The NNR confirmed that they were duly informed of the Koeberg Unit 1's outage and as this is a condition of the license, that the operator must inform the legislature.
- According to the NNR, they do have several engagements with the public regarding nuclear safety matters and this is done on a continuous basis. NECSA further has a Nuclear Forum in Cape Town. The NNR indicated that it is also important to inform the public that the use of nuclear has various applications besides weapons, and these include power generation and medical applications, agriculture etc.
- The NNR's cash reserves of R118m is invested with the South African - Reserve Bank, as prescribed by National Treasury.
- The NNR's staff compliment is 158 permanent employees – 68 percent are in the technical areas.
- The NNR confirmed that at this stage the old steam generators are stored at the Koeberg Nuclear Power Plant's site. The NNR stated that NRWDI's Vaalputs is a final disposal site, i.e. it is not a storage facility, so when the steam generators were taken out of the operating unit, they are still stored onsite.
- The NNR further highlighted that Vaalputs is a waste disposal facility authorised to dispose low and intermediate waste.
- Regarding nuclear liability limits, government provides insurance and there are international conventions which set special drawing rights in case of a nuclear incident.
- NNR also stated that nuclear operators go through rigorous training and need to be certified.

4.6 National Radioactive Waste Disposal Institute (NRWDI)

- Members commended the NRWDI on their clean audits for the past five (5) consecutive financial years.
- Members raised concern regarding the personnel expenditure of the NRWDI. Of the total budget of NRWDI, 75 percent thereof was for personnel costs.
- Members questioned why NRWDI's expenditure on staff costs is weighted to the top end of the organisational structure.
- According to the NRWDI, they have staff compliment of 39. The breakdown are as follows: six (6) are top management (15 percent), fifteen (15) senior management, professionally qualified and senior specialists (47 percent), skilled technically and academically qualified employees (33 percent), and unskilled employees (5 percent).
- Members noted that some of the targets were not met, and in the nuclear industry this is a concern, as the industry is heavily regulated.
- One of the targets not achieved by the NRWDI, was the drafting of the National Waste Inventory report which was not completed. The reason given by the NRWDI was that inputs from certain sites was not received - NECSA submitted, Koeberg has partly submitted, while iThemba labsdid notsubmit. The purpose of the report relates to transparency, which is to inform the public of the total waste inventory in the country.
- The NRWDI is currently in the process of establishing the Centralised Interim Storage Facility (CSIF) for the storage of spent fuel (high level waste) at Vaalputs, as a potential site, which must undergo the Environmental Impact Assessment (EIA) processes.
- Regarding the disposal of the Koeberg steam generators, the NRWDI stated that they need to submit a safety case to the NNR, based on a newly designed engineered trench. The steam generators are classified as low-level waste, except for nickel 63 found in the steam generators. NRWDI can store and eventually dispose of the steam generators after it made the safety case to the regulator.
- Vaalputs is to host all 3 levels of waste (low, intermediate, and high), but needs licencing for those activities from the NNR.

4.7 South African National Development Institute (SANEDI)

- SANEDI obtained a clean audit from the AGSA for FY23/24 and this is the third year that SANEDI achieves a clean audit.
- Over the past two (2) years, SANEDI has been utilizing its surplus funding (as approved by the National Treasury) actively, for doing proactive energy research on generation, transmission and distribution, respectively.
- The Carbon Capture Utilisation and Storage project was initially housed at SANEDI, and it is has now moved to the Council for Geoscience (CGS).
- According to SANEDI, the current surplus funding is providing some funding, cushioning for the short term, however, going forward there will be funding shortfalls.
- SANEDI is exploring alternative funding sources, such as climate funds and donor agencies, to bridge the fiscal gap and support its research endeavours.
- SANEDI is using large scale demonstration of projects to build confidence in the research community that SANEDI can do research within budget and provide results. This will make SANEDI more attractive to funders and increase its revenue base.
- Clean coal, according to SANEDI, it is still in the research phase. SANEDI stated that there are demonstratable technologies across the world, e.g. China and Russia.

4.8 Mine Health and Safety Council (MHSC)

The MHSC performance from an audit outcome and meeting its performance targets perspective is commendable. The entity has a potential to improve from an unqualified audit outcome during the year under review to a clean audit. There was only one audit finding which prevented the entity from obtaining a cleanaudit. The finding related to the quality of financial statements which were not prepared according to the legislative requirements. The AGSA commented that “This is an auditee that needs to improve in this one area in order to increase the number of clean audits in the portfolio”. In terms of performance against set annual targets, the Committee welcomed the achievement of 85% by the Council and emphasised that more could be done.

Several concerns were raised by the Committee Members, such as the reported increase in the number of injuries in mines, the reopening of the Lily Mine, deeper mines and deeper mines and mine shafts and health challenges associated therewith, women in mine and their safety, the Impala Mine incident which resulted in the death of thirteen (13) employees, amongst others.

Increase in injuries and fatalities: According to the MHSC, most accidents occur between October and January of each year. The Council responded that it was studying this trend but suspect it could be attributed to tiredness and fatigue. In relation to this, the Committee enquired about the number of hours miners work. The Council responded that they work eight (8) hours.The Council added that, legally, a mine worker has the right to withdraw or refuse to work in an area they deem dangerous. According to the Council, most accidents and injuries are transport related and fall of ground (FOG). The Committee was interested in knowing the number of incidents and inspectors per province and the MHSC was not able to provide this information at the time of the discussions.

Impala incident: On 27 November 2023, a cage, with eighty-six (86)mine workers sunk and killed thirteen (13) employees. In response to a quey by Committee Members on progress, the MHSC responded that an inquest will soon be conducted to establish the root cause of the disaster.

Deep Shafts and Deep Mines: South African has most of the deepest mines in the world. In the future some mines may expand from three (3) to four (4) kilometres underground. Members emphasised the to strengthen compliance by the MHSC, including knowing the number of people allowed in a cage and the verification thereof. Furthermore, MHSC was encouraged to use and invest more on the missing person locator systems.

Women in Mining: Committee Members were concerned about the reported poor treatment of women in mines, such as Personal Protective Equipment (PPE) that is designed for men, sexual harassment and their work being done by men in exchange for sex. The victimisation of pregnant women was also raised by the Members to the extend some pregnant women allegedly

lose their jobs during the pregnancy period. The Council stated that it does run Women in Mining Programmes wherein issues affecting women in mining are addressed. Committee Members implored on the Council to possible replicate in all mines Harmony Gold mines programmes in response to issues faced by women in mines.

Reopening of Lily Mine: In a meeting that the Portfolio Committee on Mineral and Petroleum Resources held with the Department on 2 September 2024, the Department stated that the deadline of reopening the mine of 31 July was not met and that, Vantage Goldfields (VG’s) financier requested additional time to secure funds by the end of September 2024. From the responses of the Department, it became apparent that the end of September deadline was not met. It was reported that the Minister of Mineral and Petroleum Resources had recently met with the Chief Executive Officer (CEO) of Vintage Goldfields. It is hoped that the discussions between the Minister and the CEO yield positive results.

4.9 Mintek

Committee Members welcomed the improved audit outcome of Mintek, from an unqualified outcome in 2022/23 to a clean outcome in 2023/24. Similarly, overall achievement of over 90% on meeting performance targets was welcomed. The Committee also congratulated Mintek for its 90th birthday in July 2024.

On the issues of beneficiation and whether the South Africa has made progress on, Mintek responded that a broader discussion on what it will take the country to implement beneficiation is needed. Mintek made an example of the HIV test kits they had developed and how it is difficult for the Department of Health to take these on, in support of a State-Owned Entity. It was further added that there are structural issues that must be resolved if beneficiation is to be realised. The point that Mintek wanted to illustrate by this example was that not much progress has been made on beneficiation in the country and that Government support is needed. Mintek added that the Critical Minerals Strategy that is being developed, there are 'low hanging fruits' for beneficiation.

On collaboration with universities, Mintek stated that they collaborate with all institutions of higher learning in South Africa. Mintek also collaborates locally and internationally with organisations that are doing similar as the entity.

Mintek stated that it has an approved 2030 Strategy. One of the issues highlighted in the strategy is mine challenges – such as remaining mines to mine will be the deepest and the fact the country has the largest gold reserves. Mintek emphasised the need for investment in Research and Development to find out how these deep mines could be mined safely. Additionally, there needs to be a mining discussion from a strategic point of view.

Regarding the sealing of Derelict and Ownerless (D&O) mines, Mintek stated that with the current budget allocations, it would take eighteen (18) years to seal all D&O mines.

Since the country is water scarce and that mines use a lot of water and that Mintek has established integratedsolutionsformineinfluentsandmine impacted water, Members wanted to know if Mintek cannot expand this and work with the Department of Water and Sanitation. The Director General of the Department of the Department of Mineral Resources and Energy responded that Mintek does not have competency on water treatment but can assist the Department of Water and Sanitation if approached.

Mintek stated that some of the technologies it develops also assist communities such as the treatment of wastewater plants, and iGoliproject/technology which is meant to also assist artisanal miners.

Mintek also confirmed that, its employees get poached by the mining industry. Put differently, mine companies target employees of Mintek. Some employees have left the entity to work overseas, such as New Zealand.

4.10 Council for Geoscience (CGS)

The regression from a clean audit outcome in the previous financial year to an unqualified audit opinion during the year under review was noted. Moreover, the fact that the regression is linked to a vacant post of a Chief Financial Officer give hope that, in the next financial year, the entity will improve to obtain clean audit outcomes as the Chief Financial Officer has been appointed.

Questions from the Members on CGS centred around its mapping and exploration work. CGS stated that it supported the establishment of the Junior Miner's Exploration Fund. The CGS is also piloting anempowering provision in the Geoscience Act thatenables it to undertake exploration. Theimplementation of this provision is part of a suite ofinterventions that are intended to effect a re-imaginedexploration boom in the country, linked with, amongstothers,the insatiable appetite for minerals (locallyknown as critical minerals) to fulfil the globalcommitment towards net zero emissions. In his concluding remarks, the Chairperson of the Committee, Hon Mahlaule stated that when the Committee visit CGS, it should vits the entity's exploration and mapping sites, to appreciate and understand the work done by CGS.

4.11 State Diamond Trader

Amongst the eleven (11) entities of the Department, SDT was the worst performer during the current financial year, having achieved only 42% of its planned performance targets. The entity attributed this poor performance to an economic downturn affecting the diamond industry. The entity had hoped that the market would recovery in the first quarter of 2024, but this did not happen – challenges persist. The entity acknowledged that the recovery would take longer than a year. There has been a decline in diamond production even from De Beers, the largest producer in the country – the decline significantly impacted SDT.

It was suggested that SDT buy diamonds in other countries such as Botswana and the Democratc Republic of Congo (DRC). The entity responded that it does work with other countries, however, the issue is not buying but also selling too.

4.12 South African Diamond and Precious Metals Regulator (SADPMR)

Similar with the SDT, the SADPMR is encountering serious financial problems, having recorded a financial loss of R14 million in 2023/24 financial year, and tapping on its reserves. As with the SDT, the situation cited for the financial problem is the economic downturn that affects the diamond industry as well as the emergence of lab-grown diamonds. The economic situation is bad such thatSouth Africa was previously ranked fifth (5th) in the world in terms of both carat production and value of diamonds. However, it now ranks sixth (6th) in the world.

The Regulator projects a deficit as well in the 2024/25 financial year. Furthermore, the Regulator projects that the economic downturn will continue for the next three (3) years or more. The Regulator stated that if it continues to report deficit every year, it may not be a going concern. The financial problems of the Regulator are serious to the extent that it vacated its Kimberly Offices. However, the Regulator indicated it was engaging with the Northern Cape Provincial Department of Economic Development to resolve the Office problem.

Some of the other internal financial problems are that as a schedule 3A entity, the Regulator should be receiving 100% state grant, but it is partially funded. Another internal issue is that licence fees have not been increased for the past fourteen (14) years. In real terms, licence fees decreased by 5%. Thus, instead of the Regulator benefitting from licence fees, the licensees were being subsidised by the Regulator. The SADPMR also cites that VAT on diamond imports negatively affects the industry and it prevents Intra-Africa trade. The Regulator had engaged the National Treasury on this matter. The National Treasury instructed the Regulator to conduct a cost benefit analysis study on its proposals. The Mineral Council South Africa conducted the study on behalf of the Regulator. Thus, the Regulator indicated that it is perhaps time to go back to the National Treasury for further discussions.
Regarding the possibility of opening a second Diamond Exchange and Export Centre (DEEC) in Cape Town, the Regulator responded that it has been approached by the various stakeholders and the matter is under discussion.

4.13 Central Energy Fund (CEF)Group

Overall, the Central Energy Fund Group has improved in terms of performance and governance issues. Historically, the CEF Group either submitted financial statements to the AGSA late or not table the annual report in Parliament. During the year under review, the Group submitted financial statements and annual reports on time. CEF achieved 80% of its performance targets for the 2023/24 financial year and the Group improved from a qualified audit outcome to an unqualified audit outcome.

Despite the improvement, lots of issues persist, such as the uncertain future of PetroSAGas-to-Liquids (GTL) refinery in Mossel Bay, leadership instability at PetroSA (CEO suspected within eight months into the job), questionable deals and contracts awarded without following due processes across the Group, amongst many other issues.

Moreover, three (3) subsidiaries of the Group, namely PetroSA, IGAS and the Strategic Fuel Fund (SFF) have merged to form the South African National Petroleum Company (SANPC). The SANPC will be a subsidiary of CEF until the South African National Petroleum Company Bill is promulgated. Committee Members questioned the implication of these big change for CEF as a holding company and its mandate. CEF responded that, outlook for the SANPC it will report directed to the Department and that the CEF Act would have to be reviewed as well. Part of the review would be to amplify CEF role as a strategic investor – in response to areas of needs during crises.

Members asked about the impact of these large-scale changes within the Group on workers, such as the idling GTL refinery and the merger. Members were assured that would be no section 189, employees in the respective three (3) subsidiaries would be transferred to the SANPC.

Regarding the shale gas project, PASA stated that feasibility study was concluded ad geochemical surveys conducted found that there is gas in the Karoo and a potential of oilresources. The next steps are dependent on the lifting of the moratorium on shale gas exploration by the Department of Forestry, Fisheries and the Environment (DFFE).

5 COMMITTEE FINDING AND OBSERVATIONS

5.1. Department of Mineral Resources and Energy

- The Committee commended the improved performance of the Department from achieving 58% in the previous financial year to 75% in the year under review on its set annual targets.However, the Committee noted with concern the repeat findings by the AGSA regarding the misalignment of the performance targets of the Department to its mandate.These are repeat findings that date back to the Sixth Administration, they are an indication that the issue remainsunresolved.
- The historical challenge of ownerless mines and the mammoth task the Department has of closing and rehabilitating those mines as consequence, was noted with concern. The Committees noted that the budget and human resources constraints for the Department to effectively do this work given its current budget allocation. It would take approximately eighteen years to seal all derelict and ownerless mines.

- The Committee noted that the slow pace in amending the Mineral and Petroleum Resources Development Act was inhibiting the Department from fully implementing its mandate. Thecriminalisation ofillegal mining , regulation of tailings dam, enforcement of mining charter BEE provisions are dependent on finalising the MPRDA.
- The Committee welcomed the approach taken on the New Nuclear Build programme of ensuring that all due processes are followed to the satisfaction of the South African citizens.
- The Committees welcomed the commitment that the mining cadastre system will be live by June 2025 and implored the department to keep the industry abreast ofdevelopments and provide quarterly updates.
- The Committee raised the concern that a key policy, the Integrated Energy Plan (IEP) has been under development for more than 6 years. As the roadmap for the energy sector without which the department will often be challenged by environmental organisations,
particularly of the development of the upstream petroleum industry and fossil fuel related projects and programmes, the finalisation of it is critical.
- The Committee remains concerned by the dispute between the Department and AGSA regarding the legal status of the Independent Power Producers Office, along-standingmatter that was never resolved.
- The Committee welcomed the plans to review the 2003 Free Basic Electricity policy.
- The Committee noted with concern the unaffordability of the proposed electricity price increases for 2024/25 and beyond.

5.2. Findings and Observations on the Department's Entities

- It is commendable that Six (6) of the eleven (11) entities of the Department achieved clean audits. The two entities that regressed, National Energy Regulator of South Africa andthe Council for Geoscience could easily improve to clean audit in the next financial year as their audit findings were not major. Overall, the Committees are pleased with the audit outcome improvements across the 11 entities.
- PetroSA reported a net loss of R1.2 billion in 2023/24 financial year compared to a net profit of R1.4 billion in the 2022/23 financial year. CEF indicates that this is due to the high fixed costs for the maintenance of the GTL Refinery not operational and the environmental liability compared to the previous financial year.
- The non-compliance of municipalitieson implementing the National Energy Regulator-approved tariffs and the limited powers of NERSA to enforce non-compliance is noted with concern. However, it is encouraging that the Electricity Regulation Act, as amended addresses this issue.
- It is noted with concern that the National Radioactive Waste Disposal Institute failed to complete the National Inventory Waste Report during the year under review because the Eskom Koeberg Power Plant made a partialsubmission and iThemba labs did not submit.
- TheCommittees are disappointed that the reopening of Lily Mine did not occur as previously reported to the Portfolio Committee on Mineral Petroleum Resources.
- In respect of the Impala mine incident, wherein thirteen (13) mine workers died, the Committees are pleased that an investigation will be conducted.
- The increase in injuries and fatalities in mines is concerning. Health and Safety in mines need to be strengthened if azero-harm goal is to be attained.
- The Committees welcomed the fact that MHSC has programmes and projects for Women in Mining (WIM).
- It was noted with concern that State Owned Entities, such as, Mintek are unable to upscale and commercialise their pilot projects. There needs to be timeline on the implementation of beneficiation policies and an index to track beneficiation.
- State Diamond Trader and the South African Diamond and Precious Metals Regulator are confronted with the same challenge, they are adversely impacted by the economic downturn . Consequently, the existence of these entities is threatened.
- The continuous plea for intervention by the South African Diamond and Precious Metals Regulator forVAT exemption on imports for the industry, to free up the much-needed cash was noted. The VAT exemption on imports intends to promote local trade through producers in Africa.
- The challenge experienced by the South African Diamond and Precious Metals Regulator because of the High Court ruling that set aside part 4 of the Mining Charter pertaining to downstream mineral beneficiation and effective transformation goals was noted.
- The CGS' intentions to pilotan empowering provision in the Geoscience Act thatenables it to undertake explorationwas welcomed.
- The Committees were impressed with performance and governance improvements at the Central Energy Group. However, the Committees were mindful of the governance related challenges that persist at PetroSA such as questionable deals and contracts entered into.
- The Committees noted the operationalisation of the South African National Petroleum Company under CEF Group until the South African National Petroleum Company Bill is promulgated. The Committee noted that these large-scale changes within the CEF Group may necessitate the review of the CEF Act.
- It was welcomed that Petroleum Agency of South Africa had completed the feasibility study on shale and was awaiting the lifting of the moratorium on the shale gas exploration.
- Alexkor and Eskom did not table their annual reports. The reason cited by the AGSA regarding Alexkor was that prior year audit was completed in January 2024 due to late submission of annual financial statements (AFS) for audit. The 2023/24 annual financial statements were submitted on 3 September 2024 as the entity did not have

capacity to prepare annual financial statements due to resignation of the financial manager in March 2024. For Eskom, the delay in the finalisation of the audit process is mainly related to the late submission of the annual financial statements for audit of the National Transmission Company of South Africa (NTCSA) following the Eskom unbundling process including the accounting treatments of the impact of the process and other matters.

6. RECOMMENDATIONS

Informed by its deliberations with the Department and its entities, the Committees recommends that the House requests the Ministers ofMineral and Petroleum Resources, and Electricity and Energy to:

6.1 Electricity and Energy

6.1.1 Ensure that the Department and its entities aim to achieve clean audits in the next financial year.
6.1.2 The Department must review the targets that were identified as problematic by the AGSA
6.1.3 Prioritise the finalisation of the National Solar Water Heater Programme and present the forensic report on the National Solar Water Heater Programme to the Committee during the Fourth Term of 2024/2025 financial year.
6.1.4 Ensure that the Auditor General's audit findings, especially those concerning the performance targets as they relate to the mandate of the Department are addressed.
6.1.5 Ensure that the fruitless and wasteful expenditure is dealt with, and that reoccurrence is limited.
6.1.6 Ensure the finalisation of legislation and policy documents and provide timelines, particularly the Integrated Energy Plan, Integrated Resource Plan, Gas Amendment Bill, and Mineral and Petroleum Resources Development Amendment Bill.
6.1.7 Ensure that, together with the Minister of Finance, the funding models of the department's entities are addressed to ensure that they can fulfil their mandates.
6.1.8 Ensure that the National Energy Regulator of South Africa fulfils its mandate by monitoring compliance with licence conditions and addressing all audit findings regarding its performance.
6.1.9 Ensure that the National Energy Regulator of South Africa exercises its powers as espoused in the Electricity Regulation Act, to deal decisively with non-compliant municipalities who are not implementing the Regulator's approved tariffs.
6.1.10 Ensure that grid capacity is strengthened and extended to allow new electricity capacity to come online.
6.1.11 Explore and expand the South African Nuclear Energy Corporation's role in participating and contributing more in the front-end of the nuclear fuel cycle development.
6.1.12 Ensure that the South African National Energy Development Institute is supportedin the implementation of clean coal technologies – a positive contribution to the Just Energy Transition objectives.
6.1.13 Urgently review the electricity pricing methodology to address the affordability of the tariff.
6.1.14 Expedite review of the Free Basic Electricity Policy.
6.1.15 Engage with the Auditor General regarding the legal status of the Independent Power Producers Office and report back to the Committees in the First Quarter of the 2025/26 financial year.
6.1.16 Expedite the comprehensive consultations on the rollout and modalities of the 2,500MW nuclear generation capacity, which led to legal challenges.
6.1.17 Finalise the collaboration between the National Energy Regulator of South Africa (NERSA) and Transnet National Ports Authority (TNPA) through a Memorandum of Understanding (MoU) to resolve challenges in terms of licensing and alignment of activities due to overlapping mandates.
6.1.18 Enhance NERSA's administrative, technical, and regulatory capacity so that it can set and/or approve electricity tariffs and prices in a manner that ensures a fair balance between the needs of customers (particularly poor and working-class households) and the regulated entities. Additionally, the Department through NERSA should collaborate with other relevant stakeholders (i.e., Cooperative Governance (COGTA) and the National Treasury) to find useful solutions to high electricity tariffs and prices.
6.1.19 Ensure that Eskom brief the Portfolio Committee on Electricity and Energy on its annual report for 2023/24 once the audit is finalised.

6.2 Mineral and Petroleum Resources

6.2.1 Urgently attend to the challenges experienced by the State Diamond Trader and theSouth African Diamond and Precious Metals Regulator and report to the Committees on the matter during the Second Term of the 2025/26 Financial Year. State Diamond Trader as the lowest performing entity will require close monitoring.
6.2.2 Ensure that the Harmony Gold approach to addressing issues relating to women in mines in terms of adequate personal protective equipment, safe and sanitary ablution facilities underground etc. is replicated in all mines.
6.2.3 Expedite engagements with Vantage Goldfields Chief Executive Officer, to ensure that the missing container with three (3) Lily mine employees issafely recovered.
6.2.4 Prioritise reopening of Lily and Optimum Mine over 2024/25 financial year.
6.2.5 Monitor the functioning of the South African National Petroleum Company and ensure smooth transition, and after the establishing legislation is in place, ensure that the company is established, accordingly.
6.2.6 Table the South African National Petroleum Company Bill before the end of 2024/25.

6.2.7 Address the governance issues at PetroSA and the financial viability of the subsidiaries at CEF, and report back to Committee on measures taken to address these.
6.2.8 Provide quarterly updates on developments regarding the mining cadastre system.
6.2.9 Improve the monitoring of Social and Labour Plans.
6.2.10 Engage with National Treasury regarding improvement of state capacity to address rehabilitation of derelict and ownerless mines and sealing of holes and shafts.
6.2.11 Improve the ratio of inspectors to mines to ensure effective enforcement at all mines
6.2.12 Facilitate the rationalisation of State-Owned Entities (especially NECSA's Pelchem, the State Diamond Trader, and the South African Diamonds and Precious Metals Regulator) so that they can improve their financial management and controls to cover all their short-term obligations from their available cash resources, meanwhile exploring other revenue streams to reduce dependence on government grants.
6.2.13 Increase the current targeted number of jobs created through the issuing of mining, petroleum, precious metals, diamondand precious metals beneficiation licences and have mechanisms in place to verify the actual number of jobs created.
6.2.14 Establish the conditions required for coordination and cooperation among State Owned Entities under the Department's portfolio so that State Owned Entities do not behave in ways that are collectively destructive, i.e., the SDT and Eskom should increase their average purchase of diamond and coal productions from Alexkor and the African Exploration Mining and Finance Corporation respectively.
6.2.15 Ensure that the implementation of the Preferential Procurement Policy of 2022 does not reduce the Department and its SOEs' total values of procurement from enterprises that are at least 51% black-owned, 30% black women-owned, and small, medium, and micro-enterprises so that procurement expenditure meets meet the objectives set out in the B-BBEE Act
6.2.16 Improve the ability and capacity of accounting authorities and senior management across the Department and its SOEs to exercise adequate oversight over the review and monitoring of compliance with applicable laws and regulations
6.2.17 Ensure that the Department and its SOEs have adequate internal controls and processes over the preparation and presentation of financial statements so that the financial statements are free from material misstatements and that all International Financial Reporting Standards recognition and disclosure requirements are met.
6.2.18 Improve turnaround times in recruitment processes to curb lengthy vacancies and high vacancy rates across the Department and its SOEs
6.2.19 Expedite the conclusion of contracting agreements between the Industrial Development Corporation and successful artisanal and small-scale miners, including women and youth-owned companies to improve these miners prospecting activities, enhance their access to sector bodies, and promote their economic inclusion in the mining sector
6.2.20 Assist the Council for Geoscience to secure more funding from the National Treasury as well as from collaborative activities and partnerships so that the entity can contribute to South Africa's Economic Reconstruction and Recovery Plan by securing a minimum of 5% of the global exploration expenditure through the application of geoscience information and knowledge.
6.2.21 Ensure that Alexkor brief the Portfolio Committee on Mineral and Petroleum Resources on its annual report for 2023/24 once the audit is finalised.

7. APPRECIATION

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

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

The Committees also wishes to thank their support staff, in particular the Committee Secretaries, Ms A Boss, Mr A Kotze, the Content Advisor for Petroleum and Mineral Resources, Mr S Maboda, Researchers, Ms M Masutha and Ms L Bramwell, the Committee Assistant, Ms V Makubalo and Ms N Mnyovu, and the Executive Secretary to the Chairperson, Ms L Titus, for their professional support and conscientious commitment and dedication to their work.

Report to be considered.
