



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the Auditor-General

**to Parliament on a performance audit of the rehabilitation of
abandoned mines at the Department of Minerals and Energy**

OCTOBER 2009



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REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON A PERFORMANCE AUDIT OF THE REHABILITATION OF ABANDONED MINES AT THE DEPARTMENT OF MINERALS AND ENERGY

1. EXECUTIVE SUMMARY

- 1.1 On 25 February 2008 the Auditor-General of South Africa (AGSA) engaged with the Department of Minerals and Energy (DME) to conduct a performance audit of the rehabilitation of abandoned mines at the DME. This audit was performed as result of deficiencies identified during the financial audit.
- 1.2 One of the major environmental problems related to mining is that of abandoned mine sites – a legacy of old practices of inadequate, insufficient or non-existent mine closures.
- 1.3 This report demonstrates that despite the significance and extent of the environmental impact of unrehabilitated abandoned mines, measures were not in place to ensure that abandoned mines were rehabilitated effectively and timeously. This resulted in the environmental and social impacts of these mines not being addressed, a lack of accountability, delays with the progress of planned projects, and inefficient service delivery. The following factors have impacted negatively on the DME and other role players in executing their roles in rehabilitating abandoned mines in South Africa:
- 1.3.1 Quality of reporting
- The DME did not have an integrated information system to record and report on the status of mines. This resulted in a lack of accurate, complete and relevant information to classify and systematically target those mines that posed the highest risk to the environment.
- 1.3.2 Governance arrangements
- The DME did not have policies and procedures on budgeting for rehabilitation projects.
 - The organisational structure of the DME did not support the internal control objectives of the department for the rehabilitation of abandoned mines.
- 1.3.3 Leadership oversight
- There was no approved strategic or business plan for the rehabilitation of abandoned mines in South Africa.
 - Communication channels with role players were not defined or structured in a way that promoted accountability or service delivery.
- 1.4 The AGSA recommended, amongst others, that the national strategy for the management of abandoned mines be approved and implemented, an integrated system to monitor mines be established, and the organisational structure within the DME be revised and capacitated.
- 1.5 The accounting officer of the DME indicated various steps that would be taken to address the shortcomings listed in this report. It included approving the national strategy for the



management of abandoned mines and the implementation thereof. The DME also committed to improve the planning and management of all future rehabilitation projects and related processes.

2. PURPOSE AND CONTENT OF THE REPORT

- 2.1 The performance audit was conducted on the rehabilitation of abandoned mines at the DME as per section 188(4) of the Constitution of the Republic of South Africa, 1996, read in conjunction with sections 5(3) and 20(3) of the Public Audit Act, 2004 (Act No. 25 of 2004). The purpose of this report is to facilitate public accountability by bringing to the attention of the executive authority and Parliament the findings of the performance audit. This audit was performed as a result of deficiencies identified during the financial audit.
- 2.2 Audit work was performed to provide sufficient audit evidence for the findings set out herein. Where deemed appropriate, comments received from management have been reflected in the report.
- 2.3 It is expected that this report, which reflects the comments of the accounting officer (AO), will give rise to corrective steps that would contribute constructively to the establishment and implementation of appropriate management measures and controls and, consequently, to improved value for money.
- 2.4 The responsibility for instituting these management measures rests with management. The primary objective of performance auditing is to confirm independently that these measures do exist and are effective and to provide management, Parliament and other legislative bodies with information, by means of a structured reporting process, on shortcomings in management measures and examples of the effects thereof. The Auditor-General's function is not to question policy. It is, however, his responsibility to audit the effect of policy and the overall management measures that lead to policy decisions.

3. AUDIT PROCESS

- 3.1 Performance audits are conducted in accordance with the *Performance audit manual* of 2008, which contains the policies, standards and guidelines for the planning, execution, reporting and follow-up of performance audits conducted in the public sector. In view of the complexity of the environment to be audited, each performance audit focuses on a segment of the activities of a particular institution. Preference is therefore given to the more important aspects.
- 3.2 When the initial arrangements were made for the performance audit, the AO and the management of the DME were informed in detail regarding the objectives and modus operandi of the performance audit. The acting chief financial officer was the chairperson of the steering committee. After consensus was reached on the factual correctness of the findings in the management report during a steering committee meeting held on 12 June 2009, the findings were brought to the attention of the AO.



3.3 The response of the AO dated 5 August 2009 has been incorporated into the report.

4. AUDIT SCOPE

4.1 The AGSA conducted a performance audit on the rehabilitation of abandoned mines by the DME to determine whether the processes followed by the DME ensured the timely and cost-effective identification and rehabilitation of abandoned mines to minimise adverse social and environmental impacts.

5. OVERVIEW

5.1 Mining is an important foreign-exchange earner, with gold accounting for over one-third of South Africa's exports. South Africa also has a number of other mining activities, for example, coal, manganese, chrome, platinum and diamonds. Mining has adverse effects on the general environment, with the largest impact being on the local surface water and groundwater systems. Other adverse effects of mining include the pollution of agricultural soil, air pollution due to smelter emissions, sinkholes due to the accelerated weathering of dolomites by acid mine water, uncovered shafts, dust, and the destruction of ecosystems.

5.2 If a mine ceases to operate, it is only regarded as closed if a closure certificate has been issued in terms of section 43 of the Minerals and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002) (MPRD Act). Legally, the owner of a mine remains responsible for all liabilities related to that mine until a closure certificate has been issued. Sections 41 and 43 of the MPRD Act further require the owner to make financial provision for all environmental liabilities related to the mine.

5.3 In terms of section 46 of the MPRD Act, if a closure certificate has not been issued and no party can be traced to assume responsibility for the liabilities of an abandoned mine, it may be classified as derelict and ownerless (abandoned) and government may provide funding for its rehabilitation. According to a report by the Council for Geoscience (CGS) to the DME, there were 5 906 officially listed abandoned mines in South Africa at the end of May 2008. The majority of the 5 906 mines closed down prior to 2002 when the MPRD Act came into effect.

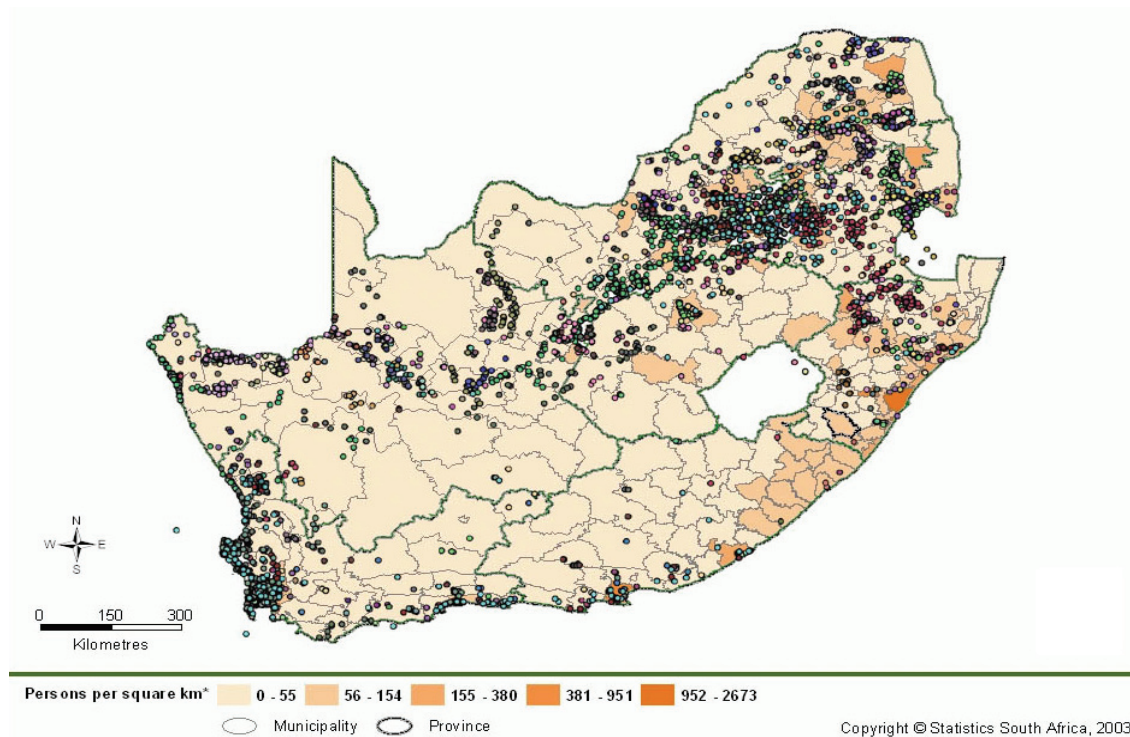
5.4 There are major risks associated with abandoned mines, for example:

- air pollution by dust
- combustion products from burning mine workings or dumps
- contamination of groundwater and surface water with acid, salts and metals
- physical hazards posed by sites with open shafts and unstable slopes.

5.5 In illustration 1 the correlation between the location of abandoned mines and high population densities in South Africa is evident, indicating that abandoned mines pose a huge health risk to a large section of the South African public.

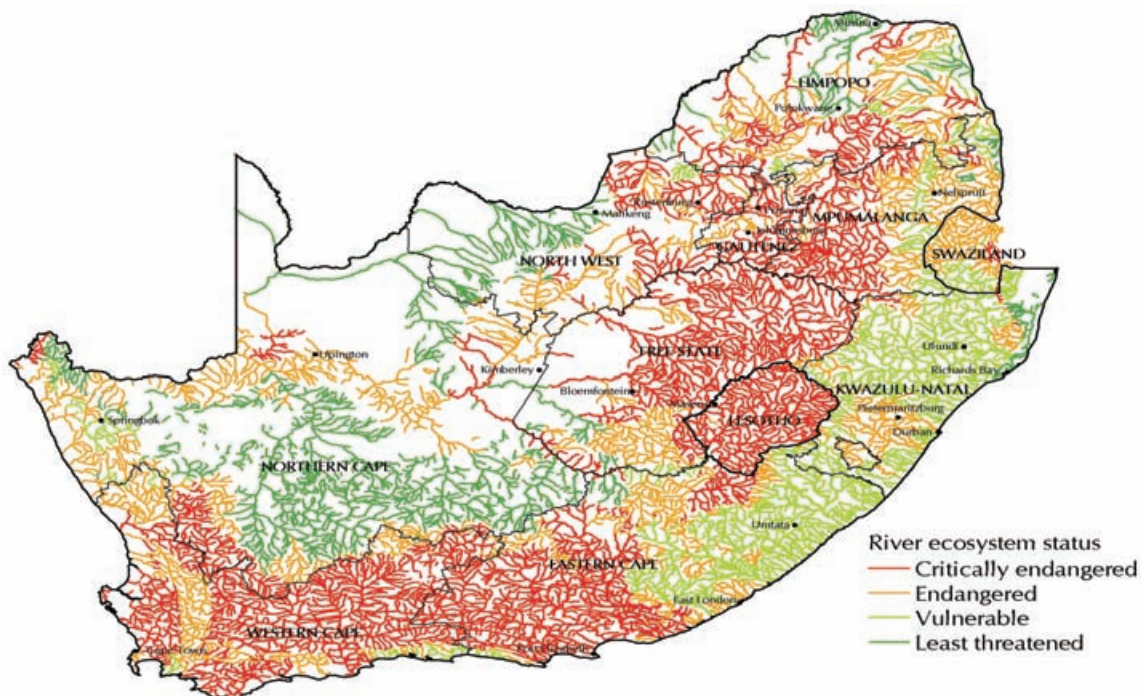


Illustration 1: Correlation between abandoned mines in South Africa and population density



5.6 South Africa's natural resources, especially water, are scarce and under severe pressure. This is highlighted by illustration 2, indicating the extent to which river ecosystems are endangered. The environmental and social impacts of abandoned mines put a further strain on vulnerable ecosystems, with the current number of abandoned mines (5 906) to be rehabilitated clearly emphasising the significance and urgency of the matter.

Illustration 2: Ecosystem status of South African rivers



Source: SA Environment Outlook: A report on the state of the environment, DEAT

5.7 The DME is the primary government institution responsible for formulating and implementing mining-related policies. The department directly regulates the mining industry in South Africa through the MPRD Act. In an attempt to address the problem of abandoned mines and have a better understanding of their challenges, the DME contracted the CGS in 2006 to develop a national strategy for the management of abandoned mines in South Africa. The key components of the strategy were as follows:

- The development and population of the database of abandoned mines in South Africa (verification of these entries needs to be undertaken on a continuous basis).
- The ranking of the mines within the database in terms of their potential impact on public health, safety and the environment.

5.8 The CGS estimated the cost of rehabilitating South Africa's abandoned mines at R30 billion. This amount was included in the financial statements of the DME as a contingent liability in the 2007-08 and 2008-09 financial years. However, the long-term treatment of acid mine drainage and the construction and operating fees of plants were not included in the R30 billion. According to the CGS, the costs related to the construction of these plants are likely to amount to as much as R5 billion, plus ongoing operating costs of several hundred million rand per annum. Of the 5 906 abandoned mines, 1 730 were classified by the CGS as high-risk mines and would require approximately R28,5 billion of the R30 billion to rehabilitate.

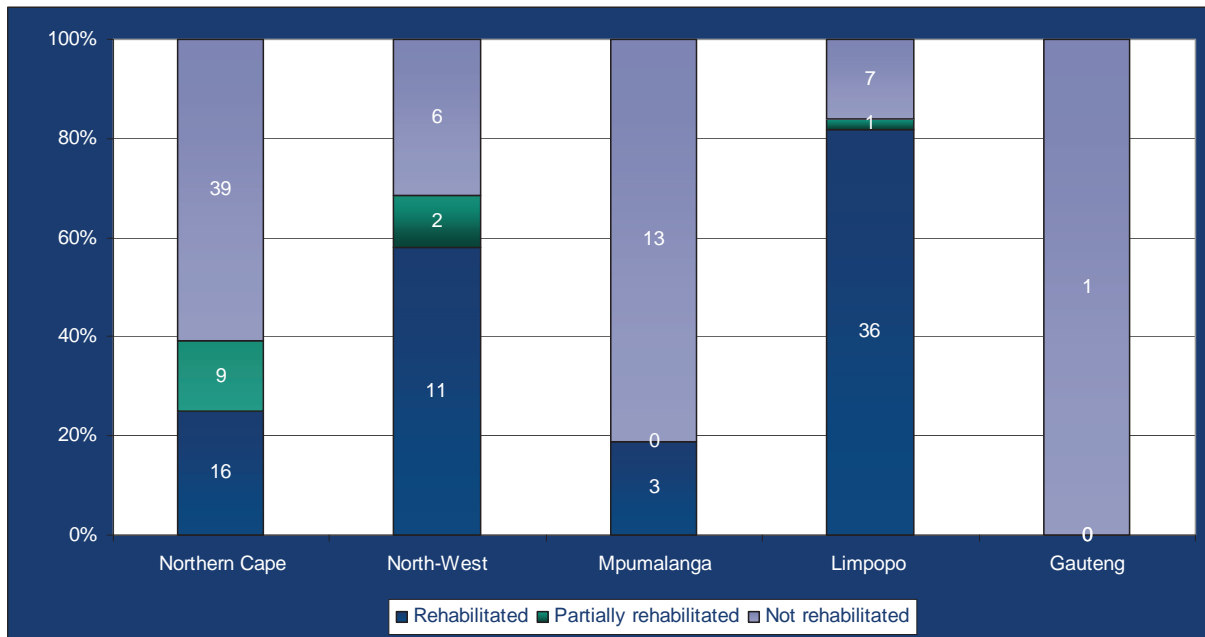
5.9 During the past number of years, the DME has focused its rehabilitation efforts on abandoned asbestos mines primarily because of the health risks associated with such mines. Health risks include:

- lung cancer
- mesothelioma
- increased risk of cancer of the larynx or gastro-intestinal tract
- scarring of the respiratory system.

5.10 Abandoned asbestos mines constitute 3,84% of the total population of abandoned mines. As at April 2008 there were 144 asbestos mines: 45,83% had been rehabilitated, 8,33% had been partially rehabilitated and 45,83% had not been rehabilitated. The status of asbestos mines in the different provinces of South Africa is illustrated in graph 1.



Graph 1: Status of asbestos mines per province



Source: DME information dated April 2008

6. FINDINGS, RECOMMENDATIONS BY THE AUDITOR-GENERAL AS WELL AS RESPONSE FROM THE ACCOUNTING OFFICER

6.1 Strategic planning

6.1.1 Finding

- (a) The DME did not have an approved national strategy for the rehabilitation of abandoned mines. The target date for implementing a national strategy was March 2008. However, it was still in draft format and not implemented by 27 November 2008. Although the DME's overall strategic plan included high-level targets, detailed rehabilitation objectives were, in the absence of a national strategy, not clearly defined or linked to set time frames, priorities and responsibilities. Furthermore, the DME did not have approved policies or procedures for the rehabilitation of abandoned mines. As a result, no new rehabilitation projects were started during the 2008-09 financial year and no projects were planned for the 2009-10 financial year.
- (b) The rehabilitation efforts by the DME were ineffective to timeously address the environmental and social impacts associated with unrehabilitated abandoned mines. For example, the DME:
- only rehabilitated five of the 5 906 abandoned mines at a cost of approximately R42 million over the past three years
 - is currently focusing only on rehabilitating asbestos mines, which constitutes 3,56% of the estimated cost to rehabilitate high-risk mines.

6.1.2 Recommendations by the Auditor-General

- (a) The DME should ensure that the national strategy is approved and implemented.
- (b) A business plan should be drafted with realistic, clearly defined objectives that are linked to specific time frames and responsibilities. The business plan should take the prioritisation of high-risk rehabilitation projects into account.
- (c) The DME should ensure that policies and procedures are implemented to provide guidance in terms of the rehabilitation of abandoned mines in South Africa.
- (d) The rate of rehabilitation of abandoned mines should be increased to reduce the adverse impact of abandoned mines on the environment.

6.1.3 Response from the AO

- (a) The national strategy for the management of abandoned mines was scheduled to be signed off by March 2008, but more time was allocated for the final editing and to consolidate the final inputs. The national strategy will be signed off and the date for publication will be determined.
- (b) Serious efforts will be made to implement the national strategy effectively and with regard to the rehabilitation of derelict and ownerless mines, efforts will be made to avoid a recurrence of delays.
- (c) The high-risk commodities are identified and listed in the national strategy and the ranking process will give guidance for future implementation of rehabilitation projects. Irrespective of the ranking, the department will prioritise those areas with the greatest levels of contamination and the highest threat of human exposure.

6.2 Information system to identify the status of mines

6.2.1 Finding

- (a) The DME did not have an integrated information system to record and report on the status of mines. No policies or procedures had been implemented to ensure that they had access to information to identify mines that were abandoned to update the information system.
- (b) The DME also did not have the capacity, system or funds to ensure that any changes in the status of mines and abandoned mines would be updated on the database. The DME could not provide details of all mines that had been liquidated and all the licences that had been re-issued during the period June 2007 to November 2008. As a result, no assurance could be given that the database had been updated in time to reflect accurate, relevant and valid information.



6.2.2 Recommendations by the Auditor-General

- (a) An integrated system for recording and reporting on the status of abandoned mines should be established.
- (b) Measures should be instituted to monitor the activities of active and inactive mines in good time and to ensure that the database and the potential liability are updated accordingly.
- (c) The DME should find the capacity and funds to enable timely updating of the database and potential liability.

6.2.3 Response from the AO

- (a) The mineral regulation branch is committed to improved planning and management of all future rehabilitation projects and related processes, like signing off and integrated information.

6.3 Organisational capacity and structure

6.3.1 Finding

- (a) The organisational structure of the DME did not support the objectives of the department for the rehabilitation of abandoned mines. The DME did not have the capacity to take an active part in decision-making, monitoring and site inspections in respect of the rehabilitation projects. One DME official had been assigned to the rehabilitation projects of asbestos mines at national level and was solely responsible for overseeing the bids, tender documentation, evaluations, site inspections, payments, administration, and project meeting attendance of all the rehabilitation projects. In this official's absence, no one else at the DME performed these duties to ensure continuity, which resulted in backlogs.
- (b) The lack of capacity delayed the implementation of projects. For example, a court ruling required the DME to rehabilitate a village situated at Heuningvlei, as the buildings are made of asbestos. Planning had been done, but the tender had not been advertised and no work had started as at 13 July 2009. In terms of the settlement agreement, the following should have been done by the DME:
 - Start with rehabilitation of Bute Mine and road by end of January 2006.
 - Heuningvlei rehabilitation works to start as soon as reasonably practicable and to be completed within five months (30 June 2006).
 - Embark on a public programme to ensure that the Heuningvlei community is informed about the work, time frames and how concerns can be raised.
 - Ensure long-term maintenance and management of the rehabilitated areas according to the specifications.
 - Utilise R35,5 million received in trust funds for the rehabilitation of areas adversely affected by asbestos mining.



- (c) The projects in table 1 serve as additional examples of projects where no progress had been made and that were carried forward from the original planning dates to the 2008-09 committed list of projects.

Table 1: Summary of projects for which tender documents were submitted by contractors to the DME but no contracts were entered into

Rehabilitation project	Original budget R	Date tender documents were submitted
Heuningvlei earthworks	21 540 000	May 2005
Prieksa Old Mill water control	2 082 465	September 2005
Bosrand earthworks	2 691 226	October 2005
Langley vegetation and fencing	505 881	May 2006
Bute Mine vegetation and fencing	2 395 878	October 2006
Whitebank vegetation and fencing	3 081 883	October 2006
Streatham Mine earthworks	13 104 846	March 2008
Annesley Stream & Holfontein Streams (Penge) earthworks	47 053 006	March 2008
Total	92 455 185	

6.3.2 Recommendations by the Auditor-General

- (a) An action plan should be put in place to ensure that a structure is established within the DME to sufficiently deal with the rehabilitation of abandoned mines.
- (b) The DME should capacitate the mineral regulation branch to ensure that the rehabilitation of abandoned mines is timeously done, measured and followed up.
- (c) Measures should be instituted to ensure continuity of the involvement of staff assigned to the rehabilitation of abandoned mines.

6.3.3 Response from the AO

- (a) The capacity of the mineral regulation branch in respect of its current insufficiency of human resources is an issue of concern and the restructuring of the branch, together with foreseen expenditure, has been identified as a priority. The said restructuring will also be dealt with as part of the split of the DME into two departments (i.e. Mineral Resources and Energy).

6.4 Evaluation and adjudication of bids

6.4.1 Finding

- (a) The commencement of rehabilitation projects was delayed because tenders had to be re-advertised in 38% (12 out of 32) of the cases. Furthermore, the evaluation and adjudication of contractors and tenders were ineffective, as several delays were experienced during the tender processes. For example, of the 20 projects that were started by the DME, eight took longer than a year before the contractors commenced with the work. The reason for the re-advertisement

and delays could not be determined, as the evaluation and adjudication documents, minutes and composition of the evaluation committee requested from the DME were not provided for auditing.

- (b) Some projects were advertised and went out on tender up to three times, as no suitable contractors were found according to the DME. The delays in concluding tenders resulted in increased costs, which can be seen in the differences between the original estimated costs and the actual contractual amounts. For seven projects the cost increased by R10 664 627,39; on average 30,54% per contract. For further details, refer to table 2.

Table 2: Increase between estimated cost and contractual amounts

Mine	Original estimated cost	Contract amount according to the DME	Increase	Increase
	R	R	R	%
Earthworks				
Hartland	1 444 209	2 635 016	1 190 807	82,45
Bute	12 314 793	14 842 410	2 527 617	20,53
Jebolo	4 923 745	5 999 649	1 075 903	21,85
Langley	2 195 913	5 282 475	3 086 561	140,56
Water control				
Asbes	356 430	1 041 438	685 007	192,19
Vegetation & fencing				
Hartland	64 580	1 072 738	1 008 158	1 561,10
Owendale	2 596 079	3 686 651	1 090 571	42,01
Total increase	23 895 749	34 560 377	10 664 628	44,63

6.4.2 Recommendations by the Auditor-General

- (a) The DME should institute measures to ensure the effective evaluation and adjudication of tenders and the timely appointment of contractors.
- (b) Tender processes involving unsuccessful tenders should be re-evaluated and adjusted for subsequent tenders to ensure a successful process the second time around.
- (c) Measures should be implemented to reduce delays between tenders being awarded and the actual starting dates of rehabilitation projects.

6.4.3 Response from the AO

- (a) The mineral regulation branch is committed to improved planning and management of all the future rehabilitation projects and related processes.

6.5 Budgeting and allocation of funds to projects

6.5.1 Background

- (a) Proper monitoring programmes are required, both before and after rehabilitation. The aim of the monitoring programmes should be to determine a pre-rehabilitation environmental condition to provide a baseline for the measurement of the success of any rehabilitation efforts and against which the progress and impact of rehabilitation can be measured. In cases where serious and potentially long-term environmental impacts are identified, monitoring programmes are required.

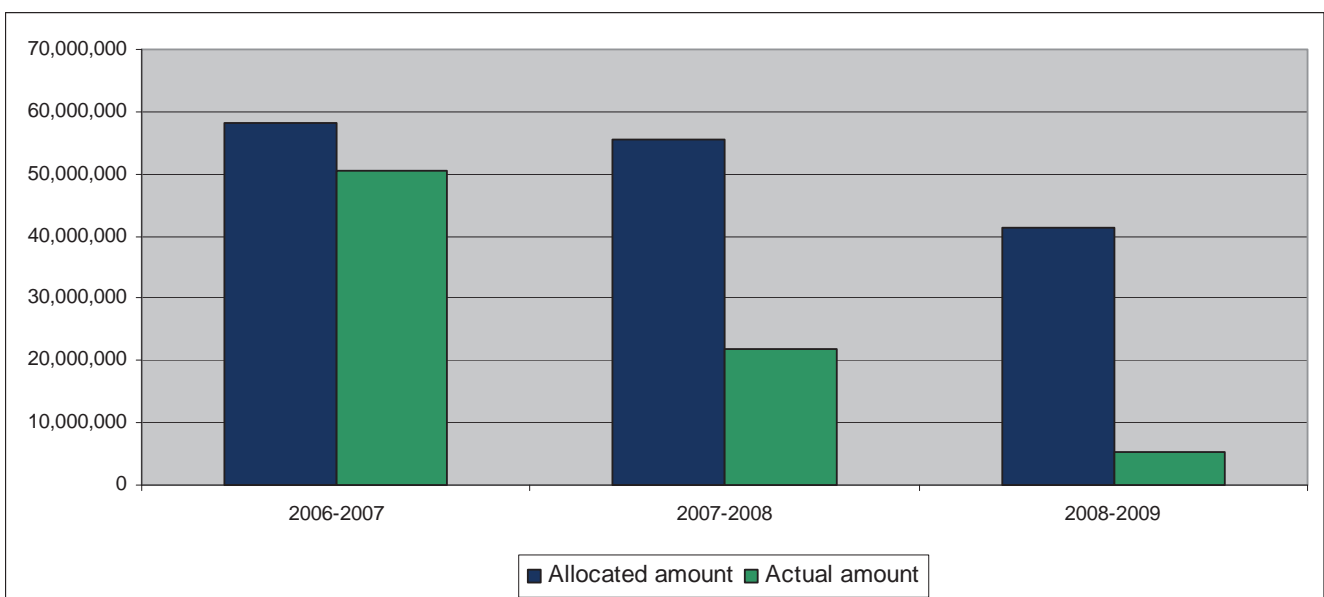
6.5.2 Finding

- (a) The DME did not have any policies or procedures for the allocation of funds to the committed list of rehabilitation projects at abandoned mines. As a result, funds were allocated on an ad hoc basis per project based on the funds available. Insufficient planning for the allocation of funds resulted in the following:

A lack of funds to complete projects during specific financial years

Delays in finalising projects in time were experienced on projects and the necessary funds were not channelled accordingly. Due to the lack of strategic direction, the available funds intended for the rehabilitation of abandoned mines have also decreased substantially. This reduction in available funds is illustrated in graph 2, which indicates the decrease in actual and budgeted expenditure over a three-year period. The actual expenditure decreased despite the lack of progress in rehabilitating abandoned mines.

Graph 2: Decrease in actual and allocated expenditure over a three-year period



Insufficient funds for post-rehabilitation monitoring of rehabilitated sites

No funds were allocated for post-rehabilitation monitoring activities. Some needs identified with regard to the previously rehabilitated mines include:

- outstanding work to address secondary pollution
- creation of ongoing awareness
- management and maintenance
- insufficient involvement of all stakeholders.

- (b) For the calculation of the estimated rehabilitation costs of abandoned mines, a number of assumptions had to be made by the CGS. For example, R5 million was used as an average cost for the rehabilitation of asbestos mines. However, the average actual cost for rehabilitating five mines during 2007-08 was 67% higher: R8,3 million per asbestos mine. The R8,3 million excluded any management fees and was only the direct rehabilitation costs. Based on the costs incurred on the asbestos rehabilitation projects, the R30 billion contingent liability may be understated.

6.5.3 Recommendations by the Auditor-General

- (a) The DME should institute measures to ensure that budget planning takes place in time to ensure the sufficient and timely allocation of funds to rehabilitation projects.
- (b) Policies and procedures for the budgeting of rehabilitation projects should be established and implemented by the DME.
- (c) Measures should be put in place to ensure that future monitoring requirements in respect of both rehabilitated and unrehabilitated mines are determined timeously.
- (d) Monitoring programmes should be implemented in time to ensure the monitoring of rehabilitated mining sites.

6.5.4 Response from the AO

- (a) In the past, fund allocation of rehabilitation projects in respect of identified abandoned mines was made on an ad hoc basis per project. Reprioritisation of projects will in future be attended to and funds will be allocated accordingly. A request for appropriation of funds in respect of such reprioritisation will be made.
- (b) All implemented projects require post-monitoring and all recently implemented projects will be monitored. It must be noted that the timing of monitoring is of the essence and it is only practical to do so within three to five years after the last day of the implemented phase, unless natural disasters are experienced within this window period.



6.6 Communication and coordination

6.6.1 Background

- (a) Several internal and external parties were identified as role players in the process of rehabilitating abandoned mines. The external role players include the following:
- Institutional
 - The mining industry
 - The South African Government (national, provincial and local): institutions and the relevant institutional structures, for example, DWAF, DEAT Geoscience, CSIR, Department of Agriculture, Department of Labour, Department of Housing, Department of Health
 - Water service authorities if separate from local government
 - Community related
 - The public, divided into sub-groups (landowners, communities, forums, unions, associations, etc.)
 - Opinion leaders and/or role models and community leaders (tribal authorities)
 - Non-governmental organisations (NGOs) and community-based organisations (CBOs)
- (b) The involvement of so many role players in the rehabilitation projects necessitates clearly defined and structured communication channels to ensure effective and efficient communication between all parties involved.

6.6.2 Finding

- (a) There were no communication policies or procedures for the rehabilitation of abandoned mines and no formal external communication channels existed. Internal and external communication channels had not been defined and structured in a way to ensure proper communication during rehabilitation projects. As a result, there was a lack of communication between the external and internal role players.
- (b) An interdepartmental forum in the form of the governmental task team (GTT) for mine closure and water management was established to strengthen all communication channels between government departments regarding mining in South Africa. The GTT consisted of representatives from the following entities:
- DME
 - Department of Water Affairs and Forestry
 - Department of Environmental Affairs and Tourism
 - The chairperson/member of the state coordinating technical committee (SCTC)
 - Co-opted other government departments as required from time to time



- (c) Over a period of 18 months the GTT held 13 meetings but the rehabilitation of abandoned mines was never an agenda point at any of these meetings. At three of the 13 meetings the rehabilitation of abandoned mines was discussed, but no formal decisions were made.
- (d) Although the GTT decided on 26 July 2007 to establish a steering committee to address the issue of abandoned mines as a matter of urgency, such a committee was not established.

6.6.3 Recommendations by the Auditor-General

- (a) The DME should formalise communication channels with internal and external stakeholders involved in the rehabilitation of abandoned mines in a way that would promote accountability and service delivery.
- (b) An interdepartmental project steering committee should be established for all rehabilitation projects to monitor the projects and take corrective action if and when required.
- (c) The rehabilitation of abandoned mines and related issues should be added as a standing point to the agenda of the GTT.

6.6.4 Response from the AO

- (a) The mineral regulation branch is committed to including a standing agenda item in respect of derelict and ownerless mines at future meetings of the GTT for mine closure and water management.

6.7 Use of consortium as project manager

6.7.1 Background

- (a) A consortium was appointed from 1 March 2005 until 31 March 2008 as asbestos coordinator to manage and implement the rehabilitation of certain abandoned asbestos mines. The main responsibility of the consortium was to coordinate and prepare detailed designs and to address environmental and social aspects of the rehabilitation ventures, as well as managing the implementation of the rehabilitation plans.

6.7.2 Finding

- (a) Due to delays as a result of a lack of capacity in the DME, tenders that had to be re-advertised and the late appointment of contractors, four out of 24 (16,67%) of the projects had not commenced and five out of 24 (20,83%) of the projects were still in progress at 31 March 2008 when the contract with the consortium ended.
- (b) The consortium indicated to the DME on numerous occasions that



the projects not commenced or in progress were subject to several risks and required continued support and rehabilitation. The consortium also indicated to the DME that certain activities would have to continue after 31 March 2008 and would require actions and support to ensure the finalisation of the projects. However, no further rehabilitation was done by the DME at the abandoned asbestos mines. A list of committed projects for the 2008-09 year was drafted by the consortium based on the outstanding work to be completed at the mines, but no work was done. At the date of this report, all the rehabilitation work, totalling an estimated R40 million for the 2008-09 financial year, was still outstanding.

- (c) There was also a lack of proper budget preparation and monitoring relating to project management. The DME requested the consortium to submit a budget for proposed projects during January 2007, but only advised the consortium in July 2007 that R13,7 million had been allocated for the services rendered by the consortium in the 2007-08 financial year. This resulted in overexpenditure on management fees by R5,3 million in 2007-08.
- (d) The consortium furthermore experienced delays in the processing of budgets, payments and decision-making by the DME. On 18 February 2008 the consortium halted management activities at the rehabilitation sites due to uncertainty in terms of funds available for further management activities and took legal action against the DME in respect of R3 034 922 due to the consortium. The afore-mentioned outstanding amount and interest of R129 309 were paid to the consortium on 10 March 2009.
- (e) The absence of a national steering committee referred to in paragraph 6.6.2 also had a negative impact on the work done by the consortium, as it resulted in a lack of inter-departmental participation.

6.7.3 Recommendations by the Auditor-General

- (a) Asbestos rehabilitation projects should be signed off as an indication that they have been finalised in line with all the predetermined specifications.
- (b) Action plans should be put in place to ensure that any outstanding issues are addressed.
- (c) Proper project management practices should be implemented to manage work performed by outside contractors.

6.7.4 Response from the AO

- (a) The mineral regulation branch is committed to improved planning and management of all the future rehabilitation projects and related processes.



6.8 Use of Mintek as project manager

6.8.1 Background

- (a) After the contract with the consortium had expired on 31 March 2008, the DME did not appoint a new asbestos coordinator to manage the outstanding rehabilitation work at the abandoned asbestos mines. The Council for Mineral Technology (Mintek), a statutory body established in terms of section 2(1) of the Mineral Technology Act, 1989 (Act No. 30 of 1989, as amended), was aware of the fact that the contract with the consortium had expired and approached the DME, expressing their interest to assist with the completion of the outstanding projects. The DME decided not to put the contract out on tender in view of Mintek's proposal.
- (b) *National Treasury practice note no. 6 of 2008* provides for instances where it would be impractical to invite competitive bids and authorities are allowed to dispense with competitive bidding processes to procure goods and services by other means. The reasons for such action must be recorded and approved by the AO. The AO is required to report to the relevant treasury and the Auditor-General within 10 working days all cases where goods and services above the value of R1 million were procured in terms of Treasury Regulation 16A6.4.

6.8.2 Finding

- (a) On 26 June 2008 the director-general approved the appointment of Mintek for the professional project management, planning and design of some identified abandoned mines in the Northern Cape, North West and Limpopo. A contract to the value of R40 million was signed on 8 December 2008 with a finalisation date of 30 June 2009. The DME could not provide any evidence that the relevant treasury or the Auditor-General had been notified of the approval by the AO to deviate from Treasury Regulation 16A6.4.
- (b) Mintek did not have access to specialists in all the required fields as per the original requirements. According to the project specifications, the following knowledge and skills would be required to manage the outstanding rehabilitation work at the asbestos mines:
- Soil scientists
 - Land surveyor
 - Civil engineers
 - Medical practitioner
 - Project coordinator with specialised knowledge, skills and sufficient experience to comprehensively prepare rehabilitation plans and monitor the implementation processes.
- (c) As the normal tender procedures had not been followed in this instance, the expectations and demonstration in terms of experience, skills and capacity could not be confirmed.



6.8.3 Recommendations by the Auditor-General

- (a) The DME should ensure that complete and accurate information is used for the planning of future rehabilitation project commitments.
- (b) Measures should be instituted to ensure that the asbestos coordinator, as well as contractors used for rehabilitation projects, has the necessary skills and knowledge to ensure efficient and effective project management. Furthermore, knowledge transfer to the DME should be a requirement.

6.8.4 Response from the AO

- (a) It will be ensured that future rehabilitation projects in respect of derelict and ownerless mines are executed in accordance with prescribed procurement policies and processes.

7. APPRECIATION

The assistance rendered by the staff of the DME during the audit is sincerely appreciated.

Auditor - General

Pretoria
October 2009



A U D I T O R - G E N E R A L
S O U T H A F R I C A



