

**MINISTRY OF FINANCE AND ECONOMIC PLANNING  
(GHANA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE-GHEITI)**



**REPORT**

**ON THE**

**AGGREGATION/RECONCILIATION OF  
MINING SECTOR PAYMENTS AND  
RECEIPTS: 2008**

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Prepared by:  
Boas & Associates  
P.O. Box AT1367  
Achimota, Accra.

Mob: 0244-326838  
e-mail: [assoboas@yahoo.com](mailto:assoboas@yahoo.com)

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**List of Abbreviations/Acronyms**

CEPS	Customs Excise and Preventive Service
DA	District Assembly
EITI	Extractive Industries Transparency Initiative
IRS	Internal Revenue Service
MDF	Mineral Development Fund
MOFEP	Ministry of Finance and Economic Planning
MUN/DIST ASMBL	Municipal/District Assembly
NTRU	Non -Tax Revenue Unit.
OASL	Office of the Administrator of Stool Lands

## **EXECUTIVE SUMMARY**

### **Introduction**

The Extractive Industries Transparency Initiative seeks to improve development outcomes from payments made by Extractive Industries to governments by enhancing transparency in the payment, receipt, disbursement and utilization of these benefits.

This report presents the aggregation and reconciliation of mining benefits paid by mining companies and received by the Government of Ghana in year 2008

The Ministry of Finance and Economic Planning engaged Messrs BOAS and Associates to undertake the aggregation and reconciliation of mining benefits from 2006-2008 as part of the requirements of the Extractive Industries Transparency Initiative (EITI).

### **Approach**

Eleven mining companies were selected based on their contribution to royalty receipts. Payments scrutinized included; Mineral Right Licence; Mineral Royalty; Ground Rent; Property Tax; Corporate Tax and Dividend.

All mining companies had their royalty payments thoroughly scrutinized. Gold mining companies had their refining certificates were checked against production and revenues declared.

Various operating cost components of all the participating mining entities were scrutinized and checked against declared operation costs.

Final returns for the year 2007 and self assessments for 2008 were scrutinized to determine the correctness of corporate tax payments for year 2008 by the mining entities.

Financial statements and annual reports for the years 2007 and 2008 were examined to identify dividends declared for the year 2008 by the mining companies.

The Dividend payments of these companies were verified against dividends received by oversight government, NTRU.

Ground rent payable for 2008 was determined from mining concessions and applicable rates obtained from the Minerals Commission.

Documentations on Minerals Development Fund were collected from Minerals and Ministry of Lands, Forestry and Mines. Royalties ceded and withdrawals into and out of the MDF account was vigorously analyzed.

Disbursements of mineral royalties by IRS to OASL were analyzed and checked for correctness.

Channels in downstream disbursements of royalties initiated from OASL head office through OASL regional offices to the district levels were scrutinized.

Independent computations of these disbursements were made to assess the correctness of disbursements along the disbursement chain

Finally documentations, processes and procedures for utilization of mining benefits at the district levels were also reviewed to assess efficiency of utilization.

**RECEIPTS:**

Of the receipts by the Government, Mineral royalty accounted for 64%; corporate tax 34% ;Dividend 1%; and property rate -1%.

Total receipts from the selected companies amounted to GHC95,753,156

**KEY FINDINGS AND RECOMMENDATIONS**

- Mining companies generally paid royalties without providing adequate documentation of production and prices obtained for 2008.
- The OASL does not have information on how much has been paid to the IRS by the mining companies.
- There are no benchmarks in the determination of operating cost.

**RECOMMENDATIONS**

- IRS should strictly insist on accompanying documentations during mineral royalty payments since these attachments serve as a guide for understanding the payments made.
- Effective monitoring of royalty payments is required.
- The Minerals Commission and the Internal Revenue Service(IRS) should conduct some studies to establish operational cost benchmarks for the various mines.
- There is the need for a reconciliation of the MDF account with particular reference to payments and withdrawals.

## **1.0 INTRODUCTION:**

This report presents the aggregation and reconciliation of mining benefits paid by mining companies and received by the Government of Ghana in the year 2008 (i.e. January 2008 –December 2008).

The Ministry of Finance and Economic Planning assigned Messrs BOAS and Associates to undertake the aggregation and reconciliation of mining benefits from 2006-2008 as part of the requirements of the Extractive Industries Transparency Initiative (EITI).

The initiative seeks to improve development outcomes from payments (benefits) made by the Extractive Industries to governments by enhancing transparency in the payment, receipt, disbursement and utilization of these benefits.

**2.0 OBJECTIVES:** The main objectives of this report are:

- i) To aggregate and reconcile mining companies submissions to those received by the Government in 2008.
- ii) To utilize lessons learnt during the aggregation/reconciliation to improve upon transparency in the payment, receipt, disbursement and utilization of these benefits.

## **3.0 SCOPE OF WORK:**

### **3.1 Aggregation/reconciliation:**

**3.1.1 Time Period/Accounting basis:** This report contains the aggregated and reconciled benefits for the period January to December 2008.

These figures were compiled using cash payments and receipts as the basis of accounting. Benefits paid by mining companies' and those received by the government in the year 2008 are considered for the completion of mining companies and government templates.

### **3.2 MINING BENEFITS**

Mining benefits considered in this report are:

**i) Mineral Right Licences;**

**ii) Ground Rent;**

**iii) Property rate;**

**iv) Mineral Royalties;**

**v) Corporate Tax;**

**vi) Dividends;**

**3.3 MINING COMPANIES:**

The companies which had their benefits aggregated included the following:

**Table 1A- Mining companies for 2008 Aggregation**

<b>MINE/COMPANY</b>	<b>LOCATION</b>	<b>MINERAL MINED</b>
Anglogold Ashanti Ltd	Obuasi, Ashanti Region	Gold
Anglogold Ashanti Ltd	Iduaprim, Western Region	Gold
Central African Gold	Bibiani, Western Region	Gold
GSR Wassa Ltd/Wexford	Akyempim, Western Region	Gold
GSR Prestea/Bogosu Ltd	Prestea/Bogosu, Western Region	Gold
Gold Fields (Ghana) Ltd	Tarkwa, Western Region	Gold
Abosso Gold Fields Ltd	Damang, Western Region	Gold
Chirano Gold Mines Ltd	Chirano, Western Region	Gold
Newmont Gold Ghana Ltd	Kenyase, Brong Ahafo	Gold
Ghana Manganese Ltd	Nsuta, Western Region	Manganese
Ghana Bauxite Company	Awaso, Western Region	Bauxite

These companies contributed about 99% of the total mineral royalties received by Government in the year 2008. In addition to the selected companies, the following companies were also engaged in mining activities and paid some amount of mineral royalties during the year.(see Table 1B and Appendix 2A-2L )



**Table 1B:** Companies other than selected but paying royalty.

<b>MINE/COMPANY</b>	<b>LOCATION/REGION</b>	<b>ACTIVITY/MINERAL MINED</b>
Nartey Salt Industries Ltd	Greater Accra	Salt
Kas Products Ltd	Ashanti	Rock (quarrying)
Spiro Jokayem & Sons	Greater Accra	Rock (quarrying)
Kam Quarry Ltd	Greater Accra	Rock (quarrying)
Med Mining	Eastern Region	Gold
Eastern Quarries	Greater Accra	Rock Quarrying
CP Concrete Products	Greater Accra	Rock Quarrying
Taysec Construction Ltd	Brong Ahafo	Rock Quarrying
P.W. Ghana Ltd	Ashanti	Rock Quarrying
Ghacem	Eastern	Limestone
Upper Quarries	Upper East	Rock Quarrying
Bigleb Construction & Crushing	Greater Accra	Rock Quarrying
Songor Salt Project	Greater Accra	Rock Quarrying
Gulf Coast Resources Ltd	Eastern Region	Rock Quarrying
Modern Stone Quarry Ltd	Greater Accra	Rock Quarrying
Koby Quarry Ltd	Greater Accra	Rock Quarrying Rock Quarrying

**3.4 ACTIVITIES/AUDITING:** Activities undertaken by the companies include Exploration, Mining, Processing/Ore Treatment and Marketing.

All the companies had audited Financial Statements for 2008.

Government Agencies such as Office of the Administrator of Stool Lands(OASL), the Internal Revenue Service (IRS),the District Assemblies had been audited by the Auditor General's Office.

#### **4.0 TERMS OF REFERENCE (TOR)**

Under the terms of reference for the assignment the obligations of the aggregator shall include the following:

The Aggregator shall perform both process and financial audit.

The Aggregator shall analyze the historical documentation on production, exports and payment of royalties for minerals produced in the country.

In carrying out his mandate the Aggregator shall have access to the company's lease, stability or development agreements with government.

More specifically the Aggregator shall undertake the following activities:

1. Aggregator shall check the correctness of the computation of payments in order to determine the appropriateness of the revenues received as mineral royalty, dividends and tax on profit.
2. The aggregator shall also analyze the tax deductions claimed by the companies to ensure that only proper claims are made.
3. Check the disbursements made from the revenues received and ascertain if they are in conformity with legislation.
4. Scrutinize the payment made to District Assemblies, Traditional Authorities and Stools within the operational areas of mines.
5. Ascertain the appropriateness of payments made with regards to mineral royalties; ground rent; dividends; taxation on profits and for mineral rights.
6. Where applicable the aggregator shall check if the declarations of quantities of minerals declared are in conformity with the declarations made to the Mineral Commission and refinery certificates.
7. Review financial statements for consistency for both companies and institutions. Specifically, for companies the aggregator shall review company capital investments and operating cost.
8. Review the capital investments in order to assess the actual amount of the investment and to determine if the amortization and depreciation declared is correct and does not improperly reduce the amount of taxable profit of the mining companies.
9. The aggregator shall check claimed operating costs to ensure that only actual and qualifying operational expenses are claimed.

- 10 Review feasibility reports of Mining Companies in order to compare the projected production with the actual production.
- 11 Reconcile the data so collected to ascertain if there is any disparity between the governments reported template and the aggregated companies reporting template.
12. The aggregator shall be expected to report on amounts accruing to the Minerals Development Fund (MDF).

## **5.0 METHODOLOGY**

### **5.1 PRODUCTION AND MINERAL ROYALTY**

Individual shipments from mining companies indicating gross mine weights and bullion assays on their gold delivery notes were ascertained.

Shipments identified by bullion bars numbers on gold delivery notes were serially checked with those on refining certificates.

The details of gold shipments were compared to their corresponding remittances/revenues.

Gold content ounces declared at the mine were recalculated and its variance with refinery ounces determined for reasonableness.

To avoid possible underpayment, quarterly royalty payments were thoroughly scrutinized.

Silver revenues accounted for by the refineries totaled as part of export proceeds for which royalties are to be paid.

All manganese shipments and local ballast sales reports were reviewed for accuracy.

Documentation on bauxite shipments for the year 2008, were examined and compared with company declarations.

Royalty payments thoroughly checked for exclusion of freight, insurance, refinery charges since royalties must be paid on gross revenues.

Interim payments usually for 99% of gold exports values were also closely checked and tied with their corresponding balance repatriation to avoid mix up with provisional and final payments of subsequent shipments.

Since various dollar to cedi exchange regimes are used for royalty payments, the appropriate rates employed for such quarterly payments were individually checked and its cumulative values determined.

Computations of operational ratios which eventually determines royalty rates payable by companies was performed. Thus verification for possible payment of over 3% of their gross revenues as royalties properly instituted.

Sales Ledger account for foreign remittances for bauxite obtained as a crosscheck to revenue declaration.

### **5.1.1 DECLARATIONS TO STATE AGENCIES**

Company returns to Mineral Commission on production indicating shipping tonnages and revenues for all bauxite exports were also compared with royalty payment computations.

Monthly bauxite production statistics were also reviewed against similar submissions to Minerals Commissions

Monthly and quarterly submissions to Minerals Commission on mine technical information eg tonnages of ore mined and milled, Mill Head Grade and residue grades were duly examined for the entire 2008.

These figures were compared to those reported in the companies' financial statements.

Company feasibilities and budgets for medium to long term production were examined.

An audit of the metallurgical processes was carried out i.e. crushing, milling, dewatering, leaching and smelting etc to confirm tonnages and gold content ounces at each stage of the processing route up to the gold room.

Bullion quantities and revenues declared at the Internal Revenue Service (IRS) for the purposes of royalty payment were reconciled with those available at the Minerals Commission. They were also compared figures in the companies' financial statements.

Export proceeds on the carbon fines were checked to ensure royalties were paid.

### **5.1.2 Process Audit**

The process audit involved the following three phases:

- Mining and Production Process Audit
- Transportation/Airlifting Process Audit
- Sales and Accounting Process Audit

A walk-through of the various process phases were carried out to gain a better understanding of each of the processes. Process mapping of the various process phases were carried out to define the lower and upper boundaries of each of the three phases. The various activities performed under each of the processes were mapped out to outline the process steps of each of the phases.

#### **5.1.2.1 Mining and Production Process Audit**

1. In the mining and production process audit the following processes were audited:
2. Drilling and blasting of ore which are later hauled to plant site for primary and secondary crushing;
3. Crushed ores are pumped into agitation tanks for the dissolution of gold

4. Crushed ores are later pumped into leaching tanks with carbon to absorb the gold.
5. Periodic testing is performed to determine gold content level. At high gold content level the gold is stripped out from the carbon and water is poured on the gold.
6. The gold is pumped through electrolysis where steel wool captures the actual gold. Cyanide is later added to dissolve the steel wool to leave out the gold.
7. The gold is further heated to the required temperature to burn out any steel wool in the mixture. At this stage the gold drops like liquid.
8. The gold is later poured into crucibles (bars) and later cleaned.
9. Samples are taken to determine lab purity
10. The gold bars are given codes, weighed and boxed in the presence of resident custom officer and the company's departmental heads.
11. The resident custom officer finally seals the boxes with custom seals.

#### **5.1.2.2**

- **Transporting/Process Audit**

- The gold is packed in bullions and transported to the airport accompanied by company officials and security personnel
- At the airport custom officers provide the necessary documentations for airlifting to the designated refinery.

#### **5.1.2.3 Sales and Accounting Process Audit**

- Part payment for gold received is transferred into the Mining Company's account by the Refinery which is then entered into the company's accounting books.
- Final payment is made by the refinery when submitting final certificate of refinery to the company.

### **5.2 CORPORATE TAXES**

As all the companies were on self assessment, the payment of corporate tax in the year 2008 was mainly related to the 2007 and 2008 assessment years. Final returns for the year 2007 and self assessments for 2008 were scrutinized particularly for non-allowable

deductions.

Capital investments by the companies for the year 2008 were also scrutinized by analyzing the Asset Registers and the Fixed Asset Schedules of the companies.

Capital allowances applied for computers, plant and machinery and other mining assets were scrutinized to ensure they conform to the schedules provided in the Internal Revenue Act 2000. ACT592.

Company's capital allowances carried forward, Utilized /granted in 2008 were all examined.

The prices of items on the Custom Records were compared to those on the company's Asset Register and where possible prices at the manufacturer's websites.

### **5.2.1 OPERATING COST**

All participating companies had both their consolidated operating costs and its constituents checked. Due cognizance was taken of other declaration by companies with similar ore body characteristics, mining strategy and processing routes.

Unit cost for drill and blast, load and haul and general pit maintenance were scrutinised and due comparisons made across participating companies.

Similar unit costs for plant consumables such as lime, cyanide, steel balls, process acids, activated carbon and fluxes were examined for fair pricing.

Customs records of mine imports were checked against the approved mining exemption list to ensure statutory compliance.

### **5. 3 DIVIDEND PAYMENTS.**

The shareholding structure of the companies were obtained from the mining companies and confirmed with the Non Tax Revenue Unit of the Ministry of Finance, with special attention paid to the Government of Ghana's shareholding.

Financial statements and annual reports for the years 2007 and 2008 were checked for declaration of dividends. Where dividends were declared the amount declared was noted. Government share of the dividend declared were then compared with the amount received by the Non Tax Unit of the Ministry of Finance.

Further clarifications were sought from companies and Non-Tax Revenue Unit where dividend payments and receipts seemed not to agree with declared dividends in financial statements.

Registrars of shareholders of the various companies (where appropriate) were contacted to ascertain the correctness of the declarations in the financial statements.

## **5.4 OTHER MINING BENEFITS**

### **5.4.1 GROUND RENT:**

Concessions details of mining companies available at the Minerals Commission were obtained.

Computations of ground rents payable in 2008 were made. (see Table 5 )

Enquiries were made at relevant OASL regional offices on ground rents payments in 2008.

Ground rents as a mining benefit duly completed on companies template in compliance with EITI requirements.

### **5. 4.2 MINERAL RIGHTS LICENCES:**

Government receipts of Mineral Right licences ie Reconnaissance exploration and leases for 2008 requested at the Minerals Commission.

Mining companies were briefed on need to indicate mineral right licences paid during the year on their templates.

### **5.4.3 PROPERTY RATE:**

a) Demand notices for Property rates for 2008 levied by respective District Assemblies were checked against receipts and bank statements.

b) District Assemblies were requested to enter property rates received on the government templates that were provided.

c) Mining companies were requested to indicate property rates paid on the company template supplied.

d) Evidence of payments by the mining companies including cheque numbers and receipts were checked.

## **5.5 STATE AGENCIES RECEIPTS**

Mineral Royalty receipts by the Internal Revenue Service were compared to:

i)The payments made by the mining companies.

ii) The declarations of mineral royalty receipts made by the Internal Revenue Service to the Ministry of Finance and the Office of the Administrator of Stool Lands (OASL)

iii) Corporate tax and dividend payments received by the IRS and NTRU respectively were compared to the payments made by the companies.

iv) Property rates received by the District Assemblies were compared to those paid by the mining entities.

## **5.5 AGGREGATION/RECONCILIATION**

Composite Mining Companies Template prepared from individual templates submitted by mining companies (see Table 2 )

Aggregated Government Templates also prepared from data provided by the various revenue collection agencies(see Table 3)

The two aggregated templates, the Composite Company Template and the Government Template were reconciled.

## **5.6 DISBURSEMENTS TO BENEFICIARIES**

The disbursements from the Internal Revenue Service were checked to receipts of OASL (Head Office).

Disbursements from Internal Revenue Service to OASL head office were crosschecked, with the corresponding payment of the royalties made by Regional OASL offices to beneficiaries.

Disbursements to the districts were analyzed by applying the relevant formula or the appropriate percentages to the mineral royalties paid by the mining companies.

Appropriate amounts due to the districts from each of the transfers from the Head Office were computed for the year 2008.

District Assemblies receipts for royalties were also checked against payments made by the regional OASL.

## **5.7 UTILISATION OF BENEFITS**

District Assemblies with dedicated Bank accounts for mineral royalty funds, had their accounts reconciled with OASL payments.

Budgets (where they existed) for the utilization of mineral royalties were assessed. List of projects undertaken during the year 2008 were obtained.

District Assembly list of projects contractors paid from royalty funds were then matched against executed projects.

Details on District Assemblies Templates were compared with those on Bank statements.



**6.0 AGGREGATION/RECONCILIATION** The payments made by the selected mining companies and the receipts of the government are provided in Tables 2 and 3 respectively.

Table 2 : Company Payments -2008

**COMPANY PAYMENTS**

**2008 AGGREGATED REPORT**  
**PERIOD: JANUARY 2008-DECEMBER 2008**  
**ALL AMOUNTS IN GHANA CEDIS**

COMPANIES	GROUND			MINERAL ROYALTY	CORPORATE TAX	DIVIDEND	TOTAL
	LICENCE	PROPERTY RATE	RENT				
Anglogold-Obuasi		400,436		8,710,130			9,110,566
Anglogold –Iduaprim		45,375		4,940,817			4,986,192
**						1,348,489	1,348,489
Central African Gold – Bibiani		30,000	-	390,921			420,921
GSR(Prestea Bogosu)		20,967	-	4,644,642			4,665,609
Ghana Bauxite CO.		13,149	7,980	453,089			474,218
Ghana Manganse Co.		17,853	-	1,652,108	2,453,755	68,639	4,192,355
Gold Fields –Tarkwa		210,901	-	17,447,492	27,731,000		45,389,393
Gold Fiields-Abosso		37,676	-	5,197,251	490,450		5,725,377
GSR-Wassa		17,877		3,071,895			3,089,772
Chirano Gold Mines Ltd		35,000	3,060	3,282,768			3,320,828
Newmont Gold Ghana Ltd **				12,658,757			12,658,757
<b>TOTAL</b>	0	829234	11,040	62,449,870	30,675,205	1,417,128	95,382,477

Table 3: Government Receipts-2008

GOVERNMENT RECEIPTS::		PERIOD: JANUARY-DECEMBER 2008. ALL AMOUNTS IN GHANA CEDIS									
GOVT AGENCY	MIN.COMM	MUN/DIST ASMBL PROPERTY RATE	OASL	IRS	IRS	IRS	IRS	IRS	IRS	NTRU	TOTAL
COMPANY	LICENCE	RATE	GROUND RENT	MINERAL ROYALTY	CORPORATE TAX	CORPORATE TAX	CORPORATE TAX	CORPORATE TAX	CORPORATE TAX	DIVIDEND	TOTAL
Anglogold-Obuasi		419,560		8,710,130							9,129,690
Anglogold –Iduaprim		45,375		4,940,817							4,986,192
***										1,348,489	1,348,489
Central African Gold		30,000		314320							344,320
GSR-Prestea/Bogosu		20,967		4,644,642							4,665,609
Ghana Bauxite CO.		11,576	7,980	453,089							472,645
Ghana Manganse Co.		17,853		1,652,108			2,453,755		68,639		4,192,355
Goldfields –Tarkwa		210,902		17,447,492			27,731,000				45,389,394
Goldfields-Abosso				4,084,413			2,052,824				6,137,237
GSR-Wassa		35,745		3,071,895							3,107,640
Chirano Gold Mines Ltd		35,000	3,060	3,282,768							3,320,828
Newmont Gold Ghana Ltd				12,658,757							12,658,757
<b>TOTAL</b>		<b>826,978</b>	<b>11,040</b>	<b>61,260,431</b>		<b>32,237,579</b>		<b>1,417,128</b>			<b>95,753,156</b>

## 6.1 RECONCILIATION:

**Table 4:** Reconciliation of Company Payments and Government Receipts

<b>Benefit/Payments/Receipts</b>	<b>Company Payments(GHc)-A</b>	<b>Government Receipts(GH)-B</b>	<b>Deviation A-B</b>
<b>Mineral Right Licence</b>	0	0	0
<b>Property Rate</b>	829,234	826,978	2,256
<b>Ground Rent</b>	11,040	11,040	0
<b>Mineral Royalty</b>	62,449,870	61,260,431	1,189,439
<b>Corporate Tax</b>	30,675,205	32,237,579	- 1,562,374
<b>Dividends</b>	1,417,128	1,417,128	0
<b>Total</b>	<b>95,382,477</b>	<b>95,753,156</b>	<b>-370,679</b>

## **6.2 DISCREPANCY:**

The discrepancy of GHC -370,679 was mainly contributed to by the following.

- **Corporate Tax:** An amount of GHC – 1,562,374 contributed to the discrepancy, as government(IRS) indicated a corporate tax receipt of GHC 2,052,824 from Abooso Goldfields Ghana Ltd, Damang; whilst the company indicated a payment of GHC 490,450

- **Mineral Royalty:**

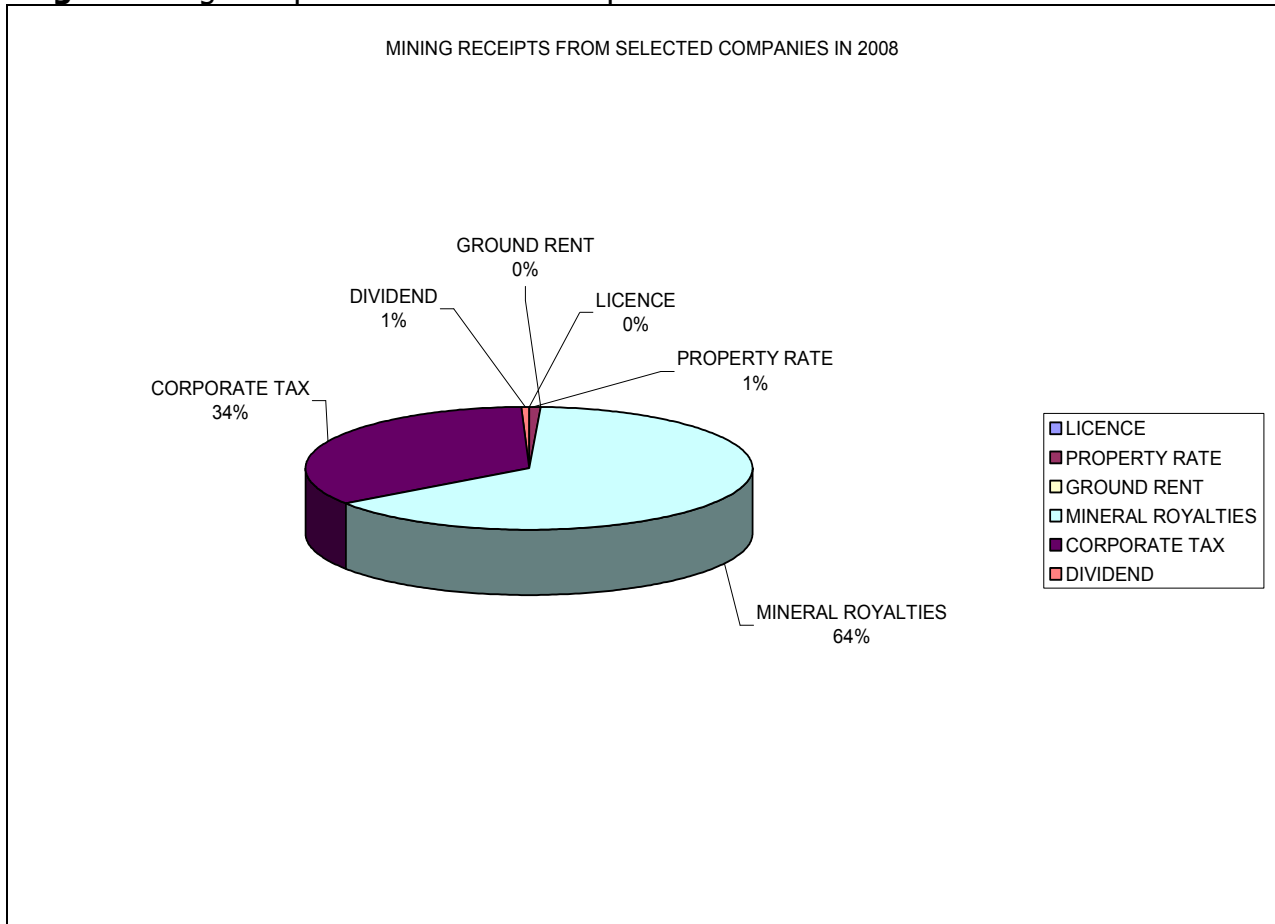
Abooso Goldfields Ltd reported a royalty figure of GHC 5,197,251 whilst the IRS reported a royalty amount of GHC 4,084,413. The discrepancy originated from the third quarter royalty payment. The IRS provided a figure of GHC194,288 whereas Abooso Goldfields Ltd gave an amount of GHC1,307,125.

There was a discrepancy of GHc 76,601 resulting from the Mineral royalty reported by Central African Gold Ltd. The Internal Revenue Service (IRS) indicated receiving GHc 314,320 for the year 2008.

However Central African Gold provided an amount of GHc 390,921 as the amount paid for the year.

### 6.3 MINING RECEIPTS

**Fig 1:** Mining receipts from selected companies in 2008



#### 6.3.1 Mineral Royalty:

All mining companies paid royalties at the rate of 3% on the gross revenue.

Royalty payments formed about 64% of total benefits received.(see Fig 1)

The reconciliation of production and royalty payments is shown in Appendix 4

#### 6.3.2 Licence.

None of the companies paid any licence fees on the concession under production.

#### 6.3.3 Property rate:

Property rate receipt was not significant, accounting for only 1% of the total benefits received for the year.(see Fig 1)

#### 6.3.4 Ground Rent:

Two companies namely Ghana Bauxite Co. Ltd and Chirano Gold Mines Ltd paid the annual ground rent on the concession on which production activities are undertaken.

The concession ground rents payable by the companies for the year are indicated in Table 5.

**Table 5: Concession Ground Rent -Amount payable in 2008**

Mine/Company	Concession size(km) <sup>2</sup>	Amount(GHC)*
Anglogold Ashanti-Obuasi	334.27	167.14
Anglogold Ashanti-Bibiani	49.82	24.91
Anglogold Ashanti-Iduaprim	31.00	15.50
GSR-Prestea/Bogosu	224.05	112.03
Gold Fields(Ghana)Ltd-Tarkwa	204.22	102.11
Abosso Goldfields Ltd	49.00	24.50
Ghana Manganese Ltd	175.93	87.97
Ghana Bauxite Co. Ltd	29.39	14.70
GSR(Wassa)/Wexford	50.00	25.00
Chirano Gold Mines Ltd	36.00	18.00
Newmont Ghana Gold Ltd	78.60	39.30

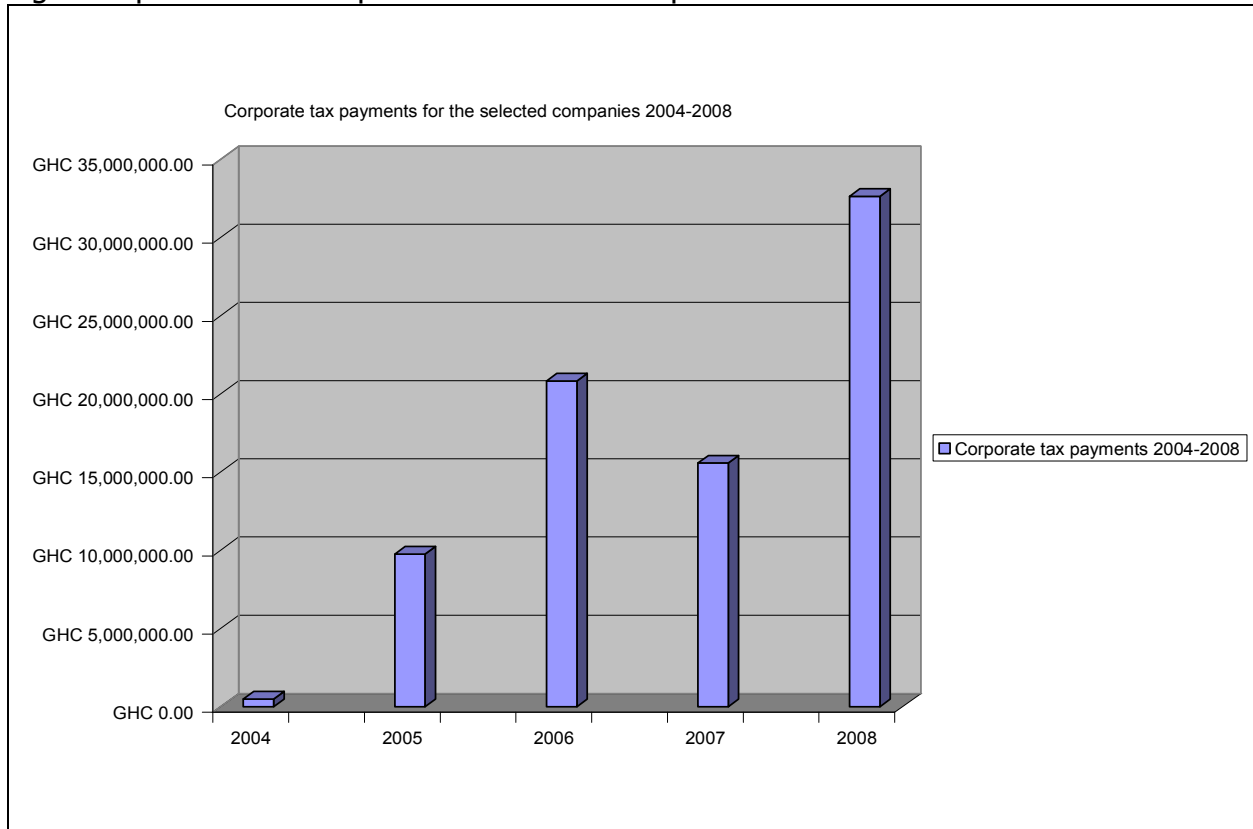
\*concession size multiplied by GHC0.5/sqkm.

### 6.3.5 Corporate tax:

Three companies Gold Fields Ghana Ltd, Abosso Goldfields and Ghana Manganese Co. Ltd paid corporate tax. Corporate tax payment accounted for about 34% of mining receipts having dropped to 24% in 2007. The corporate tax receipts from 2004 to 2008 from the selected companies are indicated in Fig 2.

It indicates the increasing significance of corporate tax receipts as companies mature in production.

Fig 2:Corporate tax receipts from selected companies 2004-2008



### 6.3.6 Dividend:

Dividend receipts for 2008 were just about 1% of total receipts, (see Fig 1). Ghana Manganese and AngloGold Ashanti International paid dividends to the government.

According to the Minerals and Mining Act, 2006, ACT 703, where a mineral right is for mining or exploitation, the Government of Ghana shall acquire a ten percent free carried interest in the rights and obligations of mineral operations in respect of which financial contribution shall not be paid by Government.

However mining companies with investments over US\$500million may negotiate fiscal instruments including government shareholdings.(see Newmont and AngloGold Ashanti below).

Government shareholdings in 2008 are indicated in Table 6

Table 6 :Government Shareholding in selected companies.

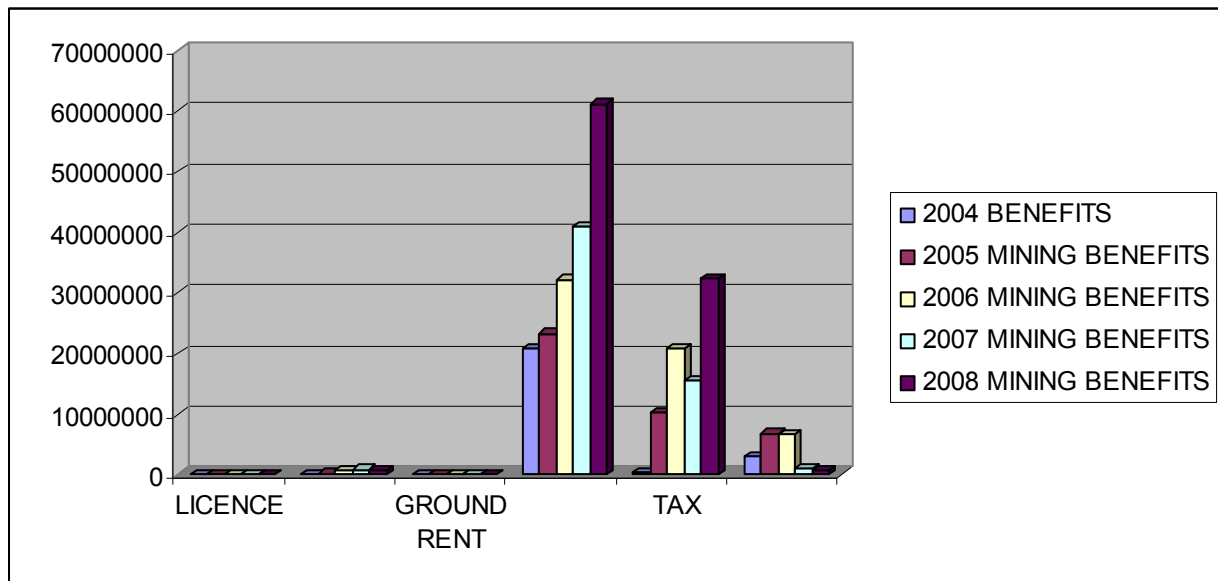
Company	GoG Shares %
Goldfields (Abooso)	10
GSR ( Prestea/Bogosu) Goldfields	10
Gold Fields (Tarkwa)	10
Ghana Bauxite	20
Ghana Manganese	10
Anglo Gold Ashanti (International)	3.41
GSR(Wassa)	10
Chirano Gold Mine	10
Newmont Ghana Ltd	Nil

**N/B;** In 2008 Anglogold Ashanti operated 2 mines ( Iduapriem and Obuasi) in Ghana.

### 6.6 MINING BENEFITS FROM SELECTED COMPANIES .

A pictorial presentation of Mining benefits from the selected companies since 2004 is indicated below.

Fig 3: Mining Benefits from 2004-2008.





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LICENCE	PROPERTY RATE	GROUND RENT	ROYALTY	CORPORATE TAX	DIVIDEND
2004	0 210,808		0 20,732,270	500,642.54	3,145,872
2005	0 253,103	4,002	23,293,296	10,222,868	6,862,456
2006	0 699,264	7,024	32,191,084	20,830,991	7,194,552
2007	0 884,811	1,625	40,836,760	15,573,250	3,853,422
2008	0 826,978	11,040	61,260,431	32,237,579	1,417,128

**7.0 DISBURSEMENTS.**

**Mineral Royalties paid to the relevant Regional Offices of OASL in the year 2008 are shown below.**

**Table 7:ASHANTI REGION:**

PERIOD	DATE	VOUCHER NO.	CHEQUE NO.	AMOUNT(GHC)
JUNE07-SEPT 07	29/01/08	ASL/DB/03/08	492502	86,259.93
SEPT 07-DEC 07	14/05/08	ASL/DB/09/08	492516	166,974.92
JAN-FEB 08	14/05/08	ASL/DB/18/08	492516	162,357.48
MAR-MAY 08	17/07/08	ASL/DB/23/08	492519	215,610.07
JUNE-JULY 08	22/10/08	ASL/DB/34/08	492534	188,539.58

**Table 8:BRONG AHAFO REGION:**

PERIOD	DATE	VOUCHER NO.	CHEQUE NO.	AMOUNT(GHC)
JUNE 07-SEPT 07	06/02/08	ASL/DB/04/08	492504	206,536.56
SEPT 07-DEC 07	14/05/08	ASL/DB/13/08	492513	195,069.83
JAN-FEB 08	14/05/08	ASL/DB/19/08	492513	173,338.68
MAR-MAY 08	17/07/08	ASL/DB/25/08	492521	256,173.74
JUNE-JULY 08	22/10/08	ASL/DB/38/08	492538	337,390.26

**Table 9: WESTERN REGION**

PERIOD	DATE	VOUCHER NO.	CHEQUE NO.	AMOUNT(GHC)
JUNE 07-SEPT 07	29/01/08	ASL/DB/01/08	492502	455,524.17
SEPT 07-DEC 07	14/05/08	ASL/DB/14/08	492515	583,444.40
JAN-FEB 08	14/05/08	ASL/DB/16/08	492515	678,773.28
MAR-MAY 08	17/07/08	ASL/DB/24/08	492527	850,972.06
MAY-OCT 07/FEB 08	09/09/08	ASL/DB/30/08	492529	225,249.92
JUNE-JULY 08	22/10/08	ASL/DB/35/09	492535	764,346.23

**7.1 REGIONS TO DISTRICTS: District Assemblies within the jurisdiction of the selected companies for the year 2008 is shown in Table 10**

Table 10 : District Assemblies of selected Mining Companies in 2008.

No.	Mining Company	District(s) Assemblies.	Municipal/District Capital	Region
1	Anglogold Ashanti	Obuasi Municipal; Adansi South; Adansi North; Amansie East/Bekwai Municipal; Amansie Central	Obuasi New Edubiase Fomena  Bekwai Jacobu.	Ashanti “ “ “ “ “
2.	Anglogold Ashanti Iduaprim	Tarkwa Nsuaem	Tarkwa	Western
3.	Abosso Goldfields Ltd	Prestea Huni Valley	Tarkwa	Western
4.	Gold Fields (Tarkwa)	Tarkwa Nsuaem	Tarkwa	Western  Western
5	GSR Wassa Ltd/Wexford	Mpohor Wassa East	Daboase	Western
6.	GSR Prestea/Bogosu	Prestea Huni Valley	Tarkwa	Western  Western
7.	Ghana Bauxite Co.Ltd	Bibiani Ahwiaso	Bibiani	Western
8	Ghana Manganese Co Ltd	Tarkwa Nsuaem	Tarkwa	Western
9	Central African Gold	Bibiani Ahwiaso Atwima District	Bibiani	Western
10	Chirano Gold Mines Ltd	Bibiani/Ahwiaso;	Bibiani	Western  Western
11	Newmont Gold Ghana Ltd	Asutifi	Kenyasi	Brong Ahafo

## 7.2 ASHANTI REGION:

Disbursements made by OASL Ashanti resulting from resulting from mineral royalty payment by AngloGold Ashanti Ltd are indicated below.(see Appendix 5A)

Table 11: Royalty due /received by District Assemblies of AngloGold Ashanti(Obuasi) Area.

District/Municipal Assembly	Amount due GHC	District Assembly Receipts. GHC
Obuasi Municipal	257,636.40	248,800
Adansi South	74,883.36	83,455
Adansi North	41,953.28	33,990
Amansie East	36,393.59	44,030
Amansie Central	67,588.96	92,510

Source: District Assembly/Aggregator/OASL

## 7.3 BRONG AHAFO: Disbursements due the Asutifi District in Brong Ahafo from Newmont Gold's Royalty payment.

Table 12:Disbursements resulting from Newmont Ghana Gold Royalty payment.(see Appendix 5C)

District Assembly	Amount Due (GHC)	Amount Received(GHC)
Asutifi District Assembly	641,898.57	639,451.89

Source:Asutifi District Assembly/Aggregator/OASL

## 7.4 WESTERN REGION

Table 13:Disbursements resulting from selected companies from Western Region.

District/Municipal Assembly	Amount due (GHC)	District Assembly Receipts (GHC)
Tarkwa Municipal Assembly	1,296,491.43	1,276,304
	487,150.34	314,000
Prestea Huni Valley		
Mpohor Wassa East	133,461.17	158,543

Source: District Assembly/Aggregator/OASL

## 8.0 UTILIZATION:

**Obuasi Municipal Assembly and the Tarkwa Nsuaem Municipal Assembly(formerly Wassa West District Assembly) had budgets for the utilisation of mineral royalty receipts.**

Table 14: **Obuasi Municipal Assembly.**

No.	Details	Budget (GHC)	Actual Expenditure (GHC)
1	Scholarship Scheme	40,000.00	12,175.00
2	Construction of Fence Wall for CKC school	30,000.00	-
3	Construction of Fence Wall at Obuasi Secondary Technical School	30,000.00	-
4	Pavement of Plantain Market	-	-
5	Construction of 3-unit classroom Block at Bediem		22,657.09
6	Waste Management		58,138.84
7	Construction of Hospital Mortuary at Obuasi Gov't Hospital		3,325.00
8	School Feeding-Advance		14,632.00
9	Contingency	20,000.00	-
10	Total	<b>120,000.00</b>	<b>110,927.93</b>

Table 15: **Tarkwa Nsuaem Municipal Assembly: Utilization of Mineral Royalty Receipts.**

Details	Budget(GHC)	Expenditure(GHC)
Construction of Roads	65,000.00	25,000.00
Community Initiated Projects	37,500.00	9,235.00
Construction of Stores	100,000.00	15,000.00
Construction of Assembly Buildings	20,000.00	11,421.00
Rehabilitation of Assembly Buildings	22,640.00	27,214.43
Purchase of Office Furniture	5,000.00	8,855.00
Purchase /Overhauling of Vehicles	35,000.00	145,790.00
Purchase of Equipment	51,200.00	35,874.00
Compensation	50,000.00	21,500.00
Construction of Market Shed	35,000.00	40,000.00
Rehabilitation of Roads	63,000.00	14,088.06
Purchase of low-cost Housing	-	-
Construction of culverts.	34,000.00	17592.07
	18,000.00	62,990.00
On-Going Projects.	-	151,828.21

**9.0 MINERAL DEVELOPMENT FUND.**

**ROYALTIES EXPENDED FROM MDF**

Table 17 : royalties paid into MDF account at Bank of Ghana by MOFEP and monies expended from the account in 2008

DATE	MDF Lodgments	Source	Payments	Descriptions		
				Refurbishment	Service Activities	Other Payments
4/1/2008	91,245.00	C & AG	69,718.15			LTUIRS IFO IRS
24/01/08			4,910.78		Supplier	
12/2/2008			34,953	Geological Survey Dept		
25/02/08			4.00			BANK CHGS
29/02/08			559,575.75	UMaT		
20/03/08			91,245.00			
24/04/08	314,487.73	C & AG	314,487.73	UMaT		
14/05/08	217,353.27	C & AG	217,353.27		Ghana Nat. Continental Shelf Deliniation	
16/05/08	18,441.61	C & AG	18,441.61		Mineral Commission	
20/05/08	1,139,534.16	C & AG				
20/06/08	281,482.90	C & AG	281,482.90		Field Activity -G SD	
23/06/08	1,918,897.82	C & AG	959,448.91	UMaT		
24/06/08			959,448.91			
11/7/2008	107,250.00	C & AG				
14/07/08			107,250.00			Ekom Eya Coop. Small Scale
18/07/08	261,294.40	C & AG	261,294.40			Salary Arrears – Ghana Conso. Diamond
30/07/08	1,485,732.50	C & AG	481,192.32	UMaT		
30/07/08		C & AG	105,175.02			Conference-Africa Mining Partners
12/8/2008			250,551.02			Vehicle Purchase

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						- UMaT
18/08/08		C & AG				
8/10/2008	45,797.09	C & AG	45,797.09			Salary Arrears-Ghana Conso.Diamond
15/10/08	1,173,442.29	C & AG	1,173,442.29	UMaT		
15/10/08			134,857.10		Field Activity-GSD	
15/10/08			89,600		Field Activity-MLFM	
17/10/08	1,438,851.81	C & AG				
10/11/2008	107,250.00	C & AG	107,250.00			Ekom Eya Coop. Small Scale
17/11/08			381,892.80	UMaT		MINERS/TECH TEAM
9/12/2008	379,821.00	C & AG	379,821.00			
22/12/08	403,843.87	C & AG	114,564.00	UMaT		
22/12/08			289,279.87			Salary Arrears-Ghana Conso. Diamond
<b>Total</b>	<b>10,116,468.85</b>		14,641,617.26	11,226,065.21	741,734.88	1,623,123.13

Total bank lodgments made into MDF account at BoG in 2008 amounted to GHC10.116m. Withdrawals made from the account were GHC14.641m. The expenditure analysis indicates that GHC11.226m were expenditures for refurbishment works especially at the University of Mines ,Tarkwa; GHC741,734 was expenditure on service activities, GHC1.623m spent on various payments and GHC1.050m miscellaneous.

**10:0 OBSERVATIONS AND FINDINGS:**

**10.1 Payment of Mineral Royalties without details:**

a) In general mining companies paid royalties without providing adequate documentation of production and prices obtained.

b) Two companies namely, Central African Gold and Chirano Gold Mines, which qualify as large Taxpayers, do not pay royalty at the Large Taxpayers Unit (LPU).

**10.1.1 Recommendation:**

a) Mining companies should accompany royalty payment with details of production and revenues obtained for the period under consideration.

For gold producing companies refinery returns indicating the purity of gold dores and sale prices should be added to royalty payments.

b) For effective monitoring and easy collation of data, it is recommended that all mining companies that contribute substantially to royalties and other payments such as corporate taxes, should make payments at the LTU.

c) In the absence of a dedicated desk for mining at the LTU it is necessary to find other means of monitoring the appropriateness of royalty payments.

**10.2 Determination of operating cost.**

The financial statements provided by mining companies do not provide enough details of the operating/production costs.

Where such details are requested from the mining companies, there are challenges in determining the appropriateness of these payments by the staff of the IRS, as most of these items are technical in nature.

This difficulty may affect the determination of taxable profits and ultimately corporate tax payment.

**10.2.1 Recommendation.**

The Internal Revenue Service and the Minerals Commission should conduct studies into the operations of the large mining companies with the aim of establishing benchmark costs.

Ore body characteristics should be considered. This information when available should be used by the Internal Revenue Service as a guide in determining appropriate operating cost.

**10.3: The OASL does not have information on how much has been paid to the IRS by the mining companies.**

The OASL by itself is unable to ascertain the correctness or otherwise of royalty ceded to it.

**10.3.1 Recommendation:**

There is the need to improve communication between the OASL and the mining companies. Most mining communities have OASL offices at the district level.

Payments of mineral royalties by mining companies could be communicated to the OASL offices.

**10.4 Mineral Development Fund**

There are indications that payments from the account were specifically tailored to lodgments. Therefore lodgments made find their way out for specific payouts.

It appears the Minerals Commission, the custodian of the fund, was not involved in the operation of the account in 2008.

No payment vouchers and cheques were raised on any of the transactions made for 2008 by the Commission. All transactions were handled at the Sector Ministry level.

It seems the Commission does not self compute royalty due the MDF for the period from royalty payments received from the mining companies.

As a result the Commission is not sure of the correctness of royalty transfers and lodgments made into the account. This does not allow the Commission to notice any over/under payments in royalty transfers made into the account by Controller. The Commission indicated that computing royalties due will serve no purpose since the Fund has no legal backing, unlike OASL.

**10.4.1 Recommendation**

Reconciliation of Mineral Development Fund account with regards to royalty payments and lodgments into the account as well as outflows and purpose of the payouts is required.



Computing royalty due for MDF will be good for the purpose of comparison, even if the Commission cannot take any meaningful action on over/short lodgments. It is therefore recommended that the Commission should, henceforth, compute royalties due from payment data received from the mining companies.

Guidelines for the operations of the Fund should be provided.

## **11.0 CONCLUSION.**

- There was a discrepancy of GHC **-370,679** between Company payments and Government receipts.
- Mining benefits receipts in 2008 have been an improvement on receipts of earlier years. This has partly been due to increases in gold price in 2008 compared to the earlier years.
- The increasing significance of corporate tax collections as the companies operate beyond the initial investment recovery years has also been a contributing factor.
- Ground rent property rates and mineral right licences receipts have not seen any significant change over the years.
- Monitoring of royalty payments especially with regards to compliance and appropriateness appears to have slackened with the dissolution of the mining desk at the Internal Revenue Service.
- Disbursement to District Assemblies have improved with regards to the correctness of the computations. However payments to District Assemblies do not follow strictly the payments from the OASL Head Office.
- Whereas regions such as Ashanti and Western have improved upon information provisions to the Districts, the Brong Ahafo OASL is yet to appreciate the importance of providing details on royalty payments to the District Assemblies.
- The Mineral Development Fund requires guidelines for payments in and out, as well as utilization of funds.

## **EXECUTIVE SUMMARY**

### **Introduction**

The Extractive Industries Transparency Initiative seeks to improve development outcomes from payments made by Extractive Industries to governments by enhancing transparency in the payment, receipt, disbursement and utilization of these benefits.

This report presents the aggregation and reconciliation of mining benefits paid by mining companies and received by the Government of Ghana in year 2008

The Ministry of Finance and Economic Planning engaged Messrs BOAS and Associates to undertake the aggregation and reconciliation of mining benefits from 2006-2008 as part of the requirements of the Extractive Industries Transparency Initiative (EITI).

### **Approach**

Eleven mining companies were selected based on their contribution to royalty receipts. Payments scrutinized included; Mineral Right Licence; Mineral Royalty; Ground Rent; Property Tax; Corporate Tax and Dividend.

All mining companies had their royalty payments thoroughly scrutinized. Gold mining companies had their refining certificates were checked against production and revenues declared.

Various operating cost components of all the participating mining entities were scrutinized and checked against declared operation costs.

Final returns for the year 2007 and self assessments for 2008 were scrutinized to determine the correctness of corporate tax payments for year 2008 by the mining entities.

Financial statements and annual reports for the years 2007 and 2008 were examined to identify dividends declared for the year 2008 by the mining companies.

The Dividend payments of these companies were verified against dividends received by oversight government, NTRU.

Ground rent payable for 2008 was determined from mining concessions and applicable rates obtained from the Minerals Commission.

Documentations on Minerals Development Fund were collected from Minerals and Ministry of Lands, Forestry and Mines. Royalties ceded and withdrawals into and out of the MDF account was vigorously analyzed.

Disbursements of mineral royalties by IRS to OASL were analyzed and checked for correctness.

Channels in downstream disbursements of royalties initiated from OASL head office through OASL regional offices to the district levels were scrutinized.

Independent computations of these disbursements were made to assess the correctness of disbursements along the disbursement chain

Finally documentations, processes and procedures for utilization of mining benefits at the district levels were also reviewed to assess efficiency of utilization.

**RECEIPTS:**

Of the receipts by the Government, Mineral royalty accounted for 64%; corporate tax 34% ; Dividend 1%; and property rate -1%.

Total receipts from the selected companies amounted to GHC 95,753,156

**KEY FINDINGS AND RECOMMENDATIONS**

- Mining companies generally paid royalties without providing adequate documentation of production and prices obtained for 2008.
- The OASL does not have information on how much has been paid to the IRS by the mining companies.
- There no benchmarks in the determination of operating cost.

**RECOMMENDATIONS**

- IRS should strictly insist on accompanying documentations during mineral royalty payments since these attachments serve as a guide for understanding the payments made.
- Effective monitoring of royalty payments is required.
- The Minerals Commision and the Internal Revenue Service(IRS) should conduct some studies to establish operational cost benchmarks for the various mines.
- There is the need for a reconciliation of the MDF account with particular reference to payments and withdrawals.