

# **EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EITI)**

***VALIDATION WORKSHOP ON THE 2010/2011 GHEITI  
RECONCILIATION REPORT-MINING SECTOR***

***COCONUT GROVE REGENCY HOTEL-ACCRA.***

***21<sup>ST</sup> February 2013.***

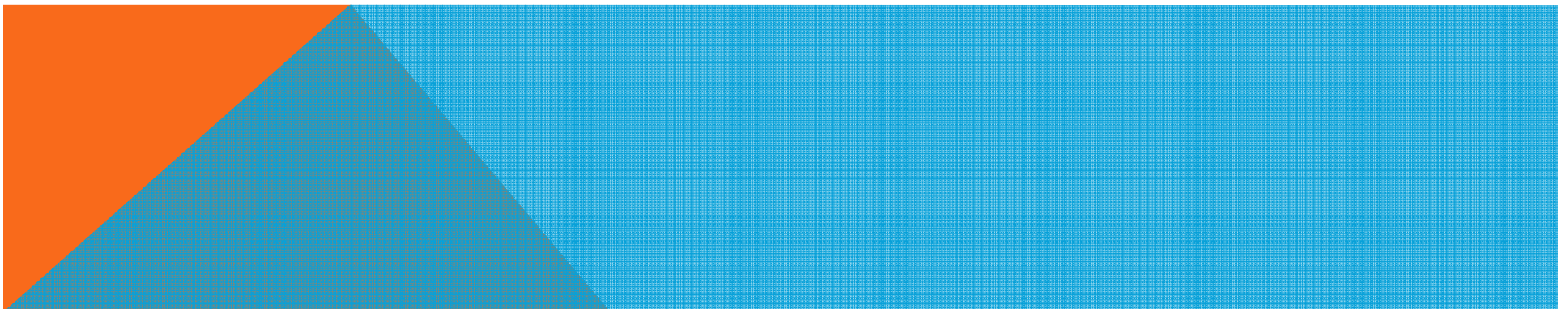


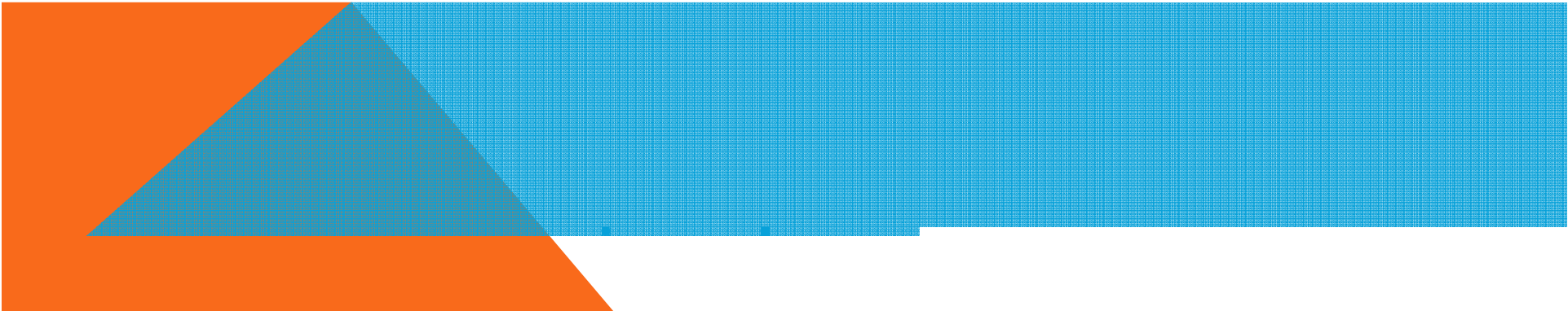
***PRESENTED BY K.BOA-AMPONSEM(BOAS & ASSOCIATES)***

# HIGHLIGHTS : 2010/2011 EITI RECONCILIATION REPORTS-MINING SECTOR .

## ORDER OF PRESENTATION.

- 1.Objectives of EITI/Report
2. Scope of Work/Approach and Methodology
- 3.Highlights of 2010/2011 reports
- 4.Disbursements
5. Utilization
6. Challenges
7. Observations.
- 8.Conclusion













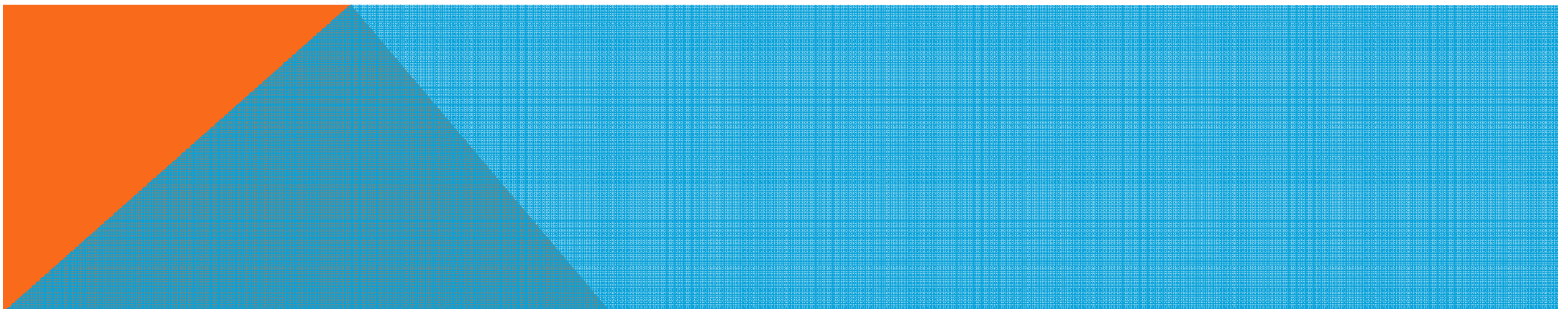
## SCOPE OF WORK (CONT'D)

### Basis for Selected companies:

- Contribution to Mineral Royalty Receipt for the period January - December 2010/2011.
- Selected companies that were in active production of minerals in the 2010/2011 and together contributed up to 99% of the mineral royalties paid in the year.

### Accounting basis:

- Cash Basis.





# APPROACH/METHODOLOGY

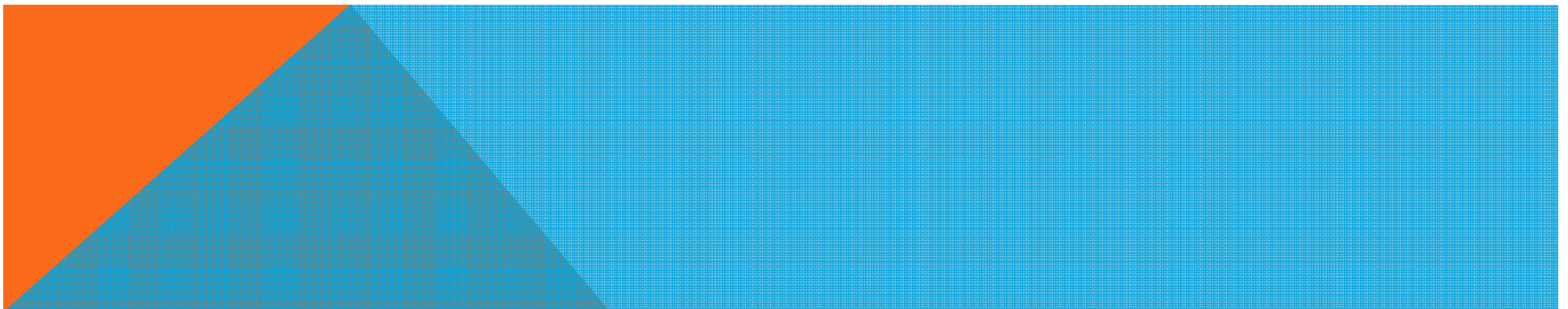
Questionnaires accompanied by one-on-one discussions.

Collection of data relating to the payments and receipts of mining benefits from mining companies and Government Agencies'

Analysis of the correctness of payments.

Aggregation and Reconciliation

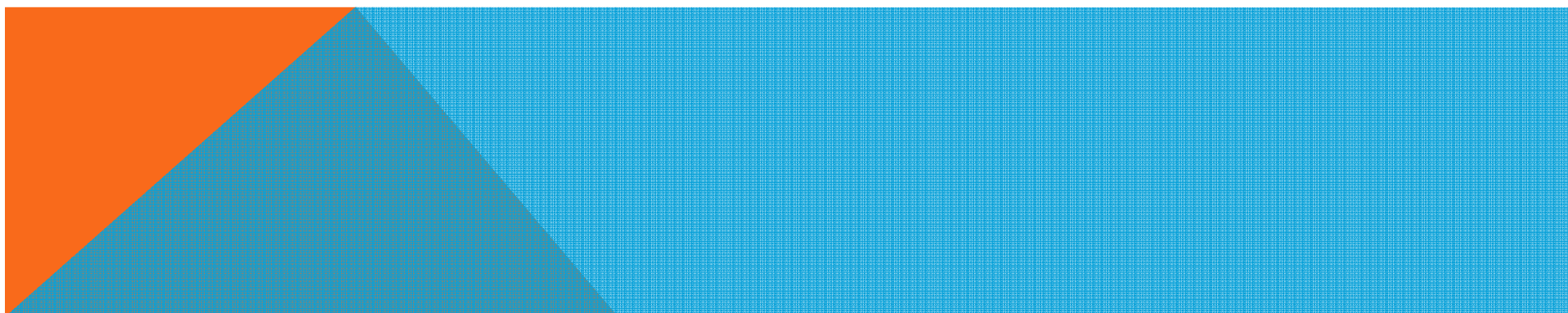
Examining Disbursements and Utilization of mining benefits.



# RESULTS OF RECONCILIATION

*Company reported payments/Government reported receipts-2010/2011*

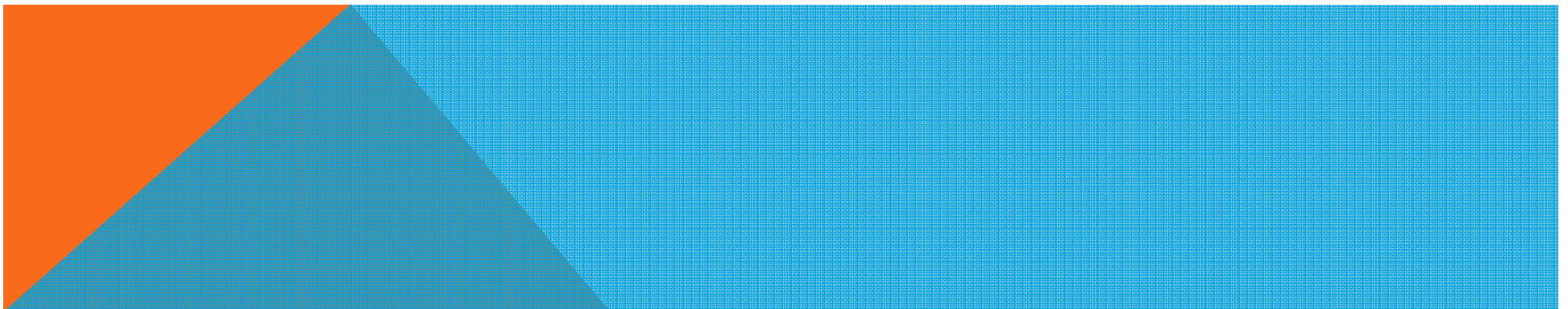
BENEFIT STREAM/YEAR	Company Reported Payments		Government Reported Receipts	
	2010	2011	2010	2011
Mineral Right Licence	-	-	-	-
Ground Rent	-	134,290	-	-
Property Rate	608,311	674,523	830,051	482,092
Mineral Royalty	147,848,789	211,708,024	150,453,905	218,151,362
Corporate Tax	118,821,551	425,833,002	125,249,733	499,825,765
Dividend	3,746,830	55,291,126	22,440,212	44,012,872
Total	<b>271,025,481</b>	<b>693,640,965</b>	<b>298,973,901</b>	<b>762,472,091</b>



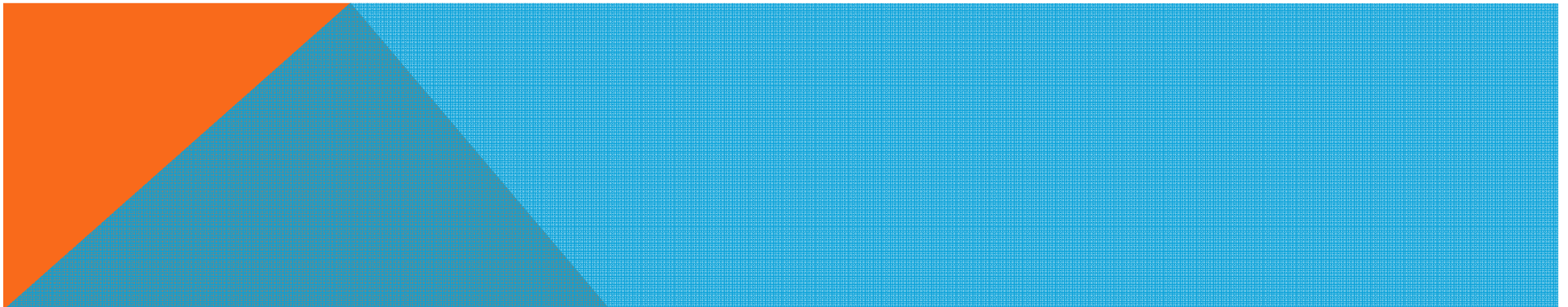
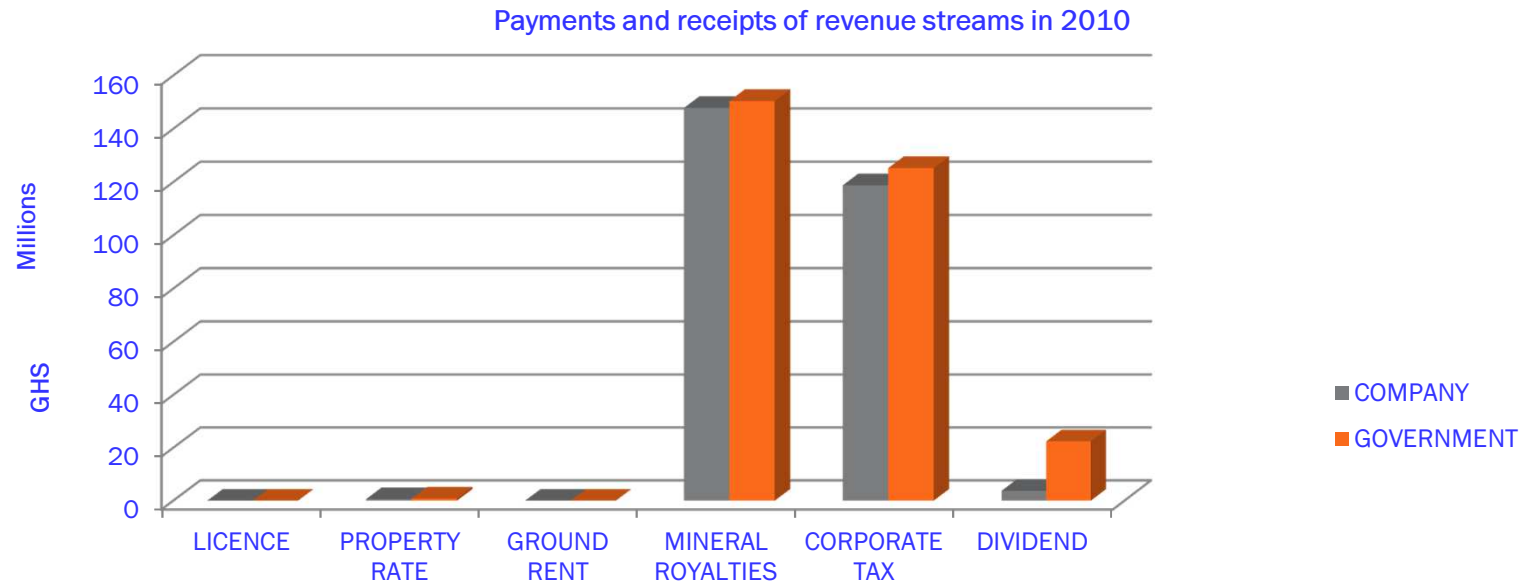
## RESULTS OF RECONCILIATION- C'NTD

**Highlight:** Corporate tax receipts exceeded royalty in 2011.

**Absolute discrepancies** for 2010 and 2011 were GHS 47,460,012 and GHS 202,828,263 respectively. Unresolved discrepancies amounted to GHS -5,080,964 and GHS 9,113,673 in 2010 and 2011 respectively.

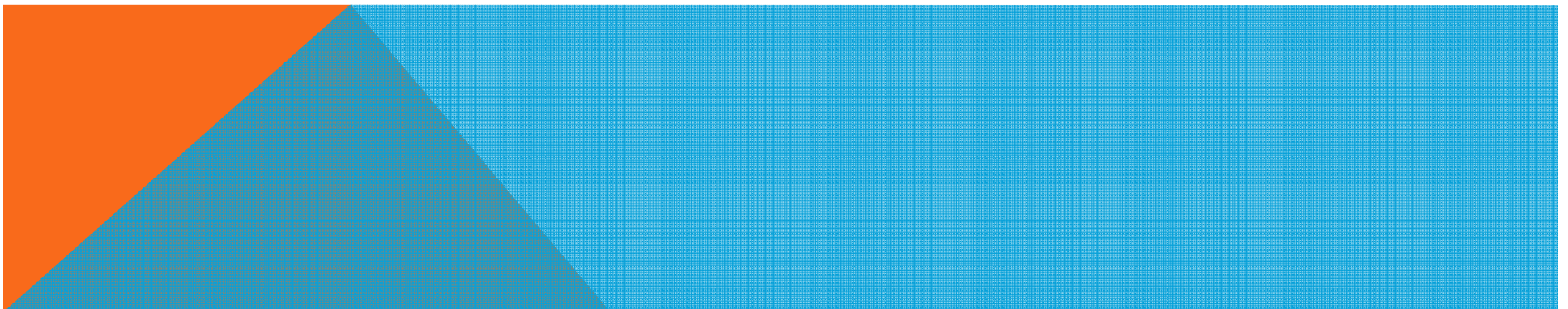
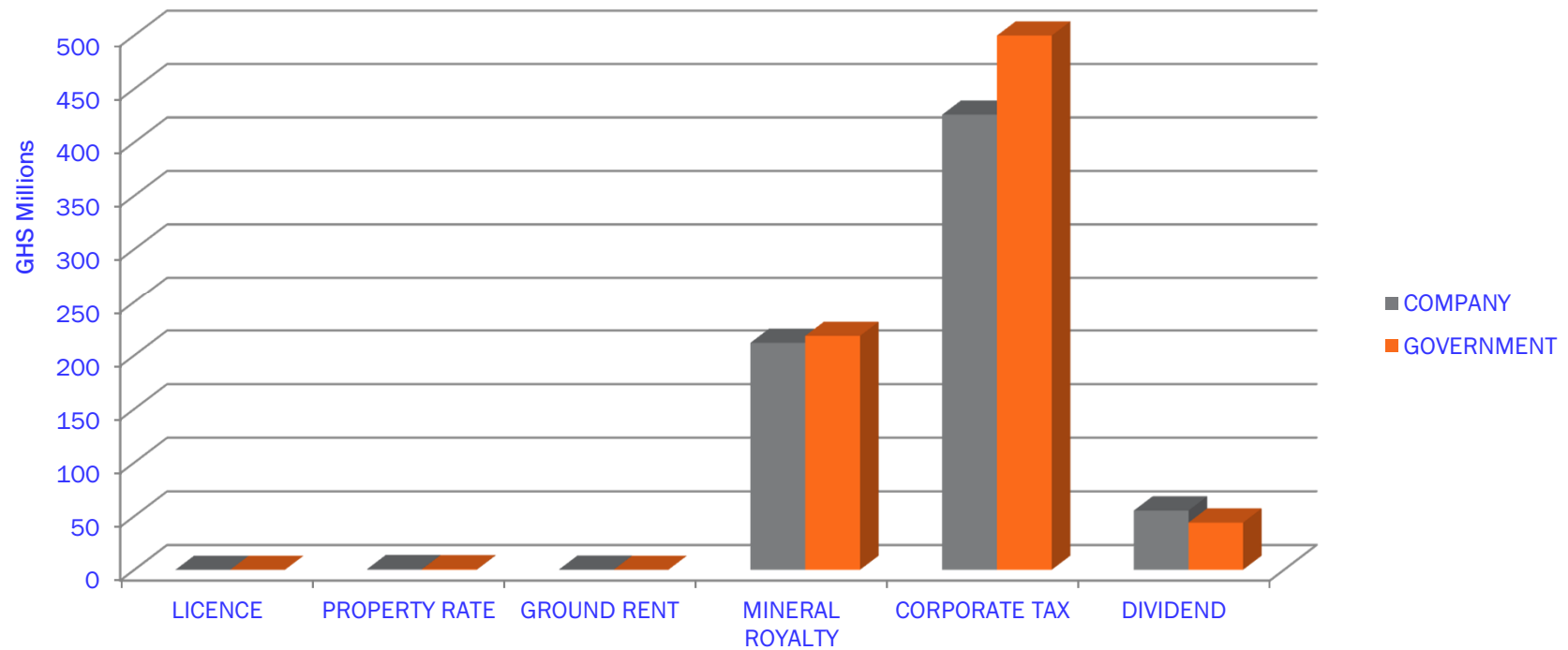


# RESULTS OF RECONCILIATION C'NTD



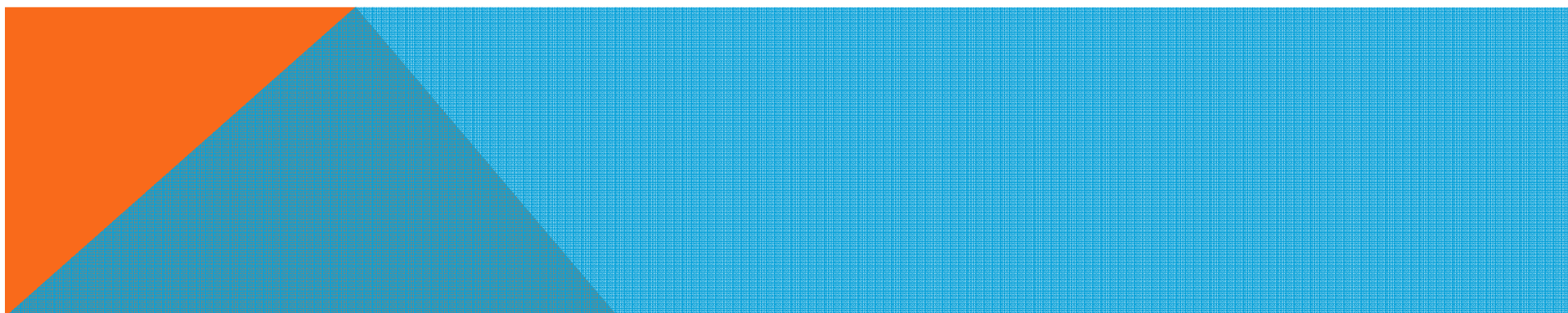
# RESULTS OF RECONCILIATION C'NTD.

Reported Payments and Receipts of Revenue Streams in 2011.



# MINERAL ROYALTY DISBURSEMENTS-2010

District Assembly	Amount due	Transfer from OASL- ASHANTI(GHS)
<b>Obuasi Municipal</b>	<b>563,913.56</b>	<b>563,915.88</b>
<b>Adansi South</b>	162,633.71	161,118.80
	80,558.93	
<b>Adansi North</b>		<b>80,559.41</b>
<b>Bekwai Municipal</b>	78,288.90	
		<b>78,290.01</b>
<b>Amansie Central</b>	<b>145,392.33</b>	<b>145,395.80</b>

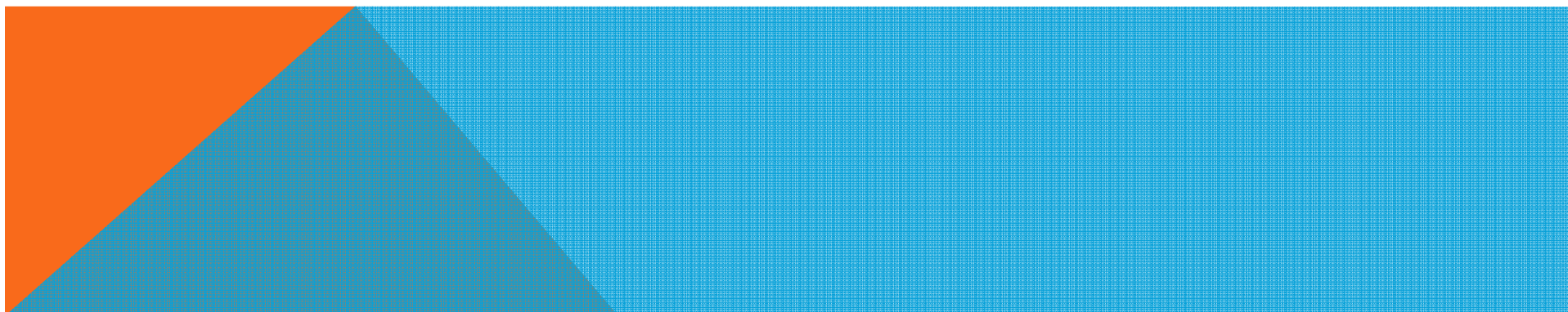


# MINERAL ROYALTY DISBURSEMENTS-2010

*Disbursement from OASL to District /Municipal Assemblies-2010*

<b>District/Municipal Assembly:</b>	<b>Amount Due GHS</b>	<b>Amount paid by OASL GHS</b>
Prestea Huni Valley	<b>1,513,368.24</b>	1,528,865
Mpohor Wassa East	365,309.78 <sup>i</sup>	370,106
Tarkwa Nsuem	1,425,083.85	952,091
Bibiani/Ahwiaso Bekwai	410,969.41	135,484
<b>Total</b>	<b>3,265,795.24</b>	<b>2,986,546</b>

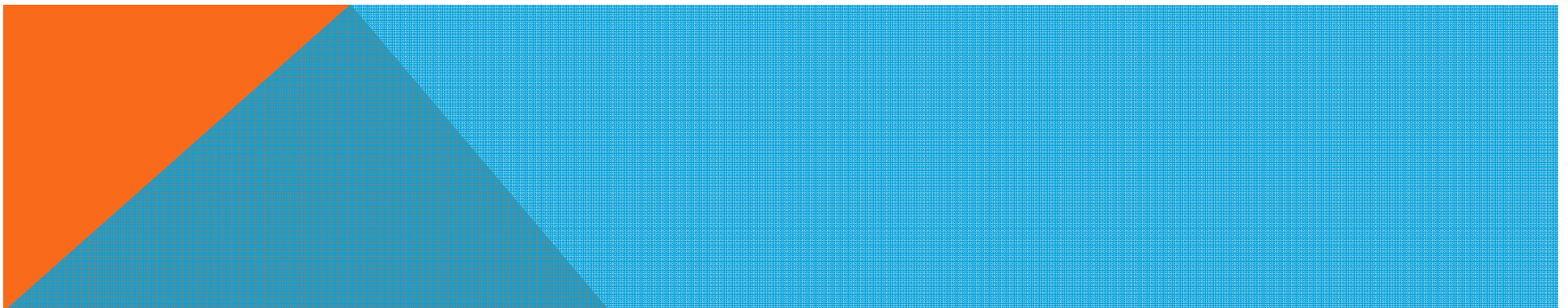
<sup>i</sup> Sharing ratio revised in December 2010 after payment.



# MINERAL ROYALTY DISBURSEMENTS-2011

*: Royalty disbursement due /Amount paid by OASL in 2011.*

District Assembly	Amount due	Transfer from OASL- ASHANTI(GHS)
<b>Obuasi Municipal</b>	333,735.86	<b>306,449.33</b>
<b>Adansi South</b>	95,352.15	<b>87,556.95</b>
<b>Adansi North</b>	47,676.08	<b>43,778.48</b>
<b>Bekwai Municipal</b>	46,332.64	<b>42,544.57</b>
<b>Amansie Central</b>	86,045.53	<b>79,011.34</b>

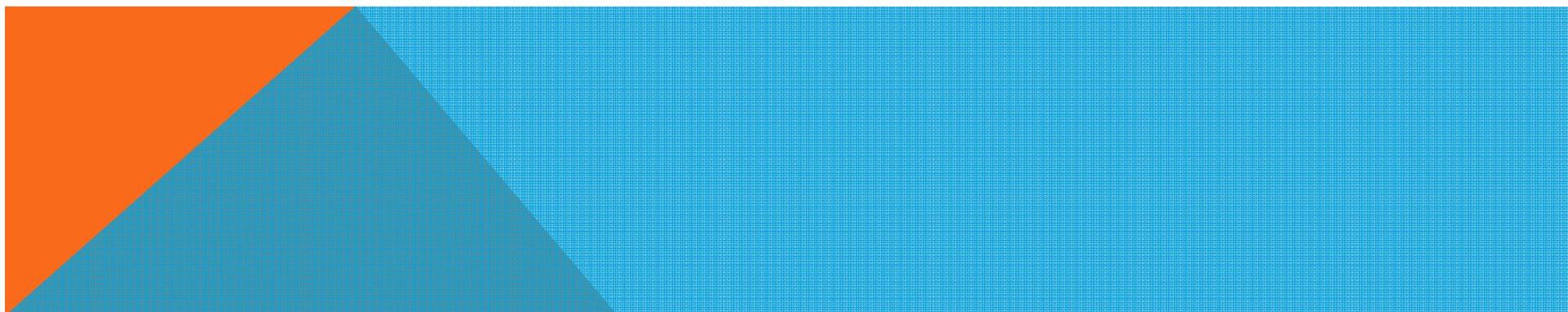




# MINERAL ROYALTY DISBURSEMENTS-2011

*Disbursement from OASL to District /Municipal Assemblies-2011*

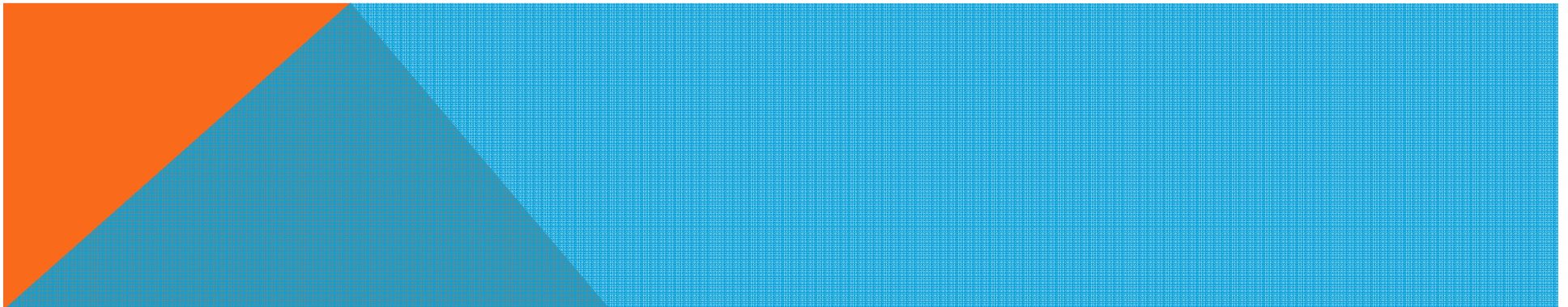
District/Municipal Assembly:	Amount Due GHS	Amount paid by OASL GHS
<b>Prestea Huni Valley</b>	1,616,179.30	1,558,575
Mpohor Wassa East	234,315.11	213,726
Tarkwa Nsuem	1,345,857.84	1,340,191
Bibiani/Ahwiaso Bekwai	213,831.48	218876
<b>Total</b>	<b>3,493,630.77</b>	<b>3,331,368</b>



# UTILIZATION -2010

: Obuasi Municipal Assembly: Utilization of Mineral Royalty Receipts (2010)

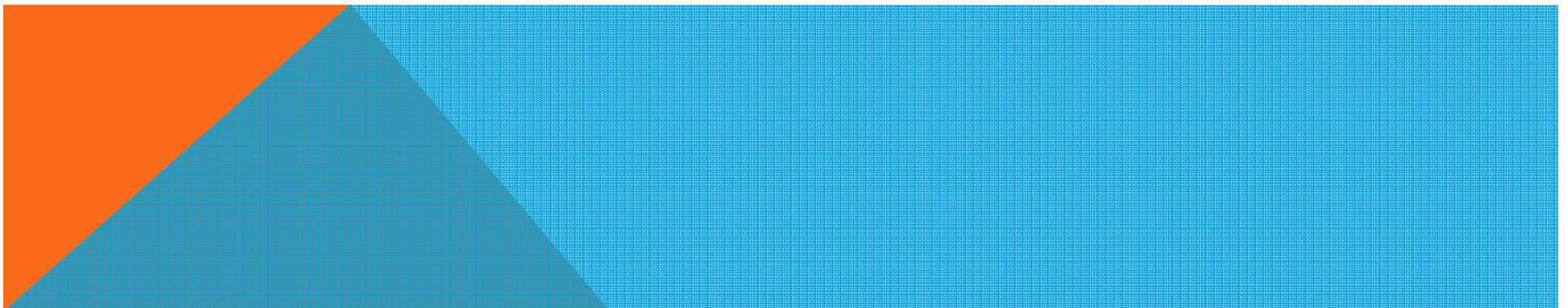
No.	Details	Budget(GHC)	Expenditure(Amount)GHC
1.	Construction of 3 unit classrooms at Kunka		5,000.00
2	Construction of 3 unit classrooms at Asonkore		9,701.90
3	Rehabilitation of Meat Shop at Obuasi Market		28,028.37
4	Construction of 6 unit classroom block at Anyinam		90,030.55
5	Provision of Basic Furniture for JHS at Akaporiso(Support)		3,975.00
6	Supply of Furniture to 5(five) canteens for the Ghana School Feeding programme at Mampamhwe, Jimisokakraba, Apitikoolo, Sanso and Mamiriwa.		11,200.00
7	Schorlarship		42,285.00
8	Waste Management		123,948.84
	Total		<b>314,169.66</b>



# UTILIZATION - 2010

## *Tarkwa Nsuaem Municipal Assembly: Utilization of Mineral Royalty Receipts*

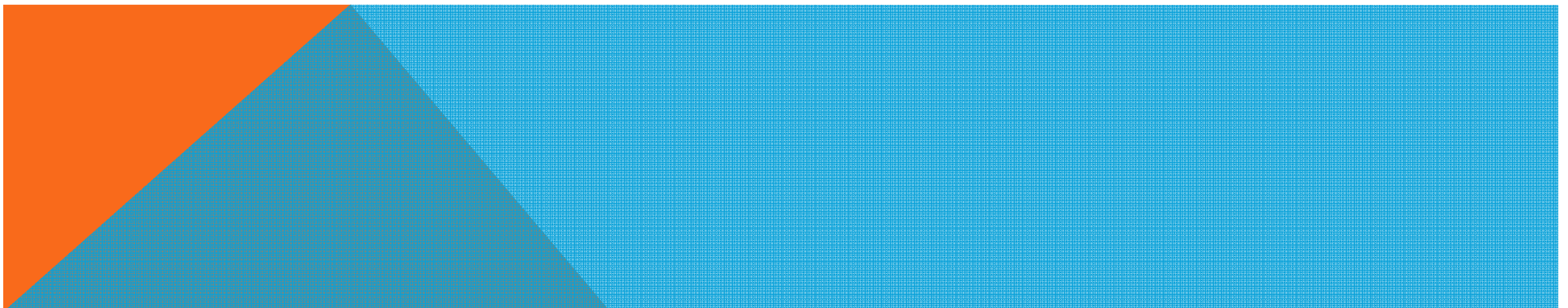
<b>Expenditure Item</b>	<b>Budget(GHC)</b>	<b>Actual(GHC)</b>
ECONOMIC/SOCIAL	267,618	411,204
ADMINISTRATION	186,000	246,592
EDUCATIONAL	-	<b>150,269</b>
ENVIRONMENTAL	72,000	404,432
<b>TOTAL</b>	<b>525,618</b>	<b>1,212,497</b>



# UTILIZATION-2011

*Obuasi Municipal Assembly: Utilization of Mineral Royalty Receipts (2011)*

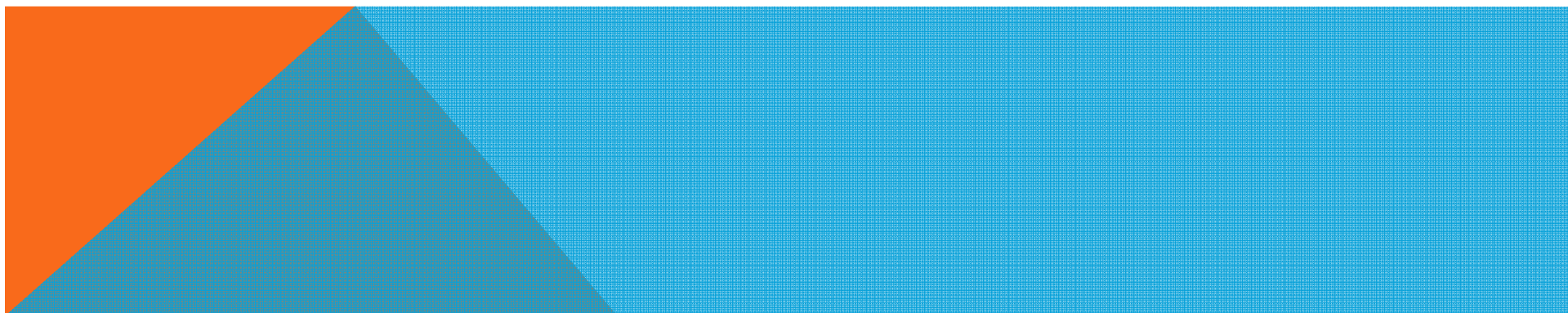
No.	Details	Expenditure(Amount)GHC)
1	Rehabilitation of 4 unit classroom block at Pomposo.	56,063.58
2	Rehabilitation of 6 unit classroom block at Boate	61,290.27
3	Supported the construction of 8 unit classroom block at Boate	25,000.00
4	Rehabilitation of a 6 unit Classroom Block at New Nsuta(Support)	25,000.00
5	Rehabilitation of 6 units Classroom Block at Estate Presbyterian JHS.	89,883.11
6	Scholarships	40,850.00
7	Waste Management	129,741.46
	Total	<b>427,828.42</b>



# MINERAL DEVELOPMENT FUND

Total lodgments into the MDF account in 2010 amounted to GHS16.204 million with GHS11.398 million as withdrawals.

Total lodgments into the MDF account in 2011 amounted to GHS16.080 million with GHS9.230 million as withdrawals for mining sector expenditures.



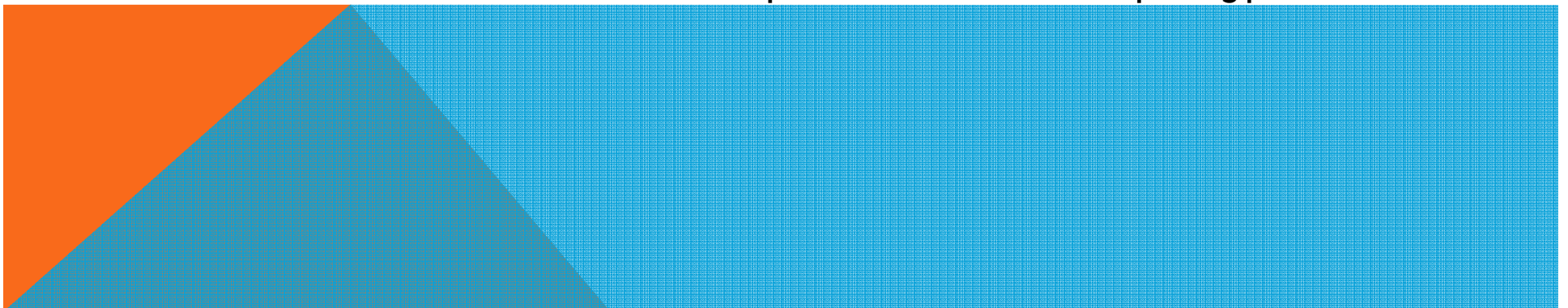
# CHALLENGES IN IMPLEMENTATION

The 2010/2011 encountered a lot of challenges. The major challenge was the provision of relevant data. Since the entire reconciliation exercise hinges on data obtained from participants, the acquisition of data is on the critical path of the process. Any delay affects significantly the timely completion of the exercise.

The high turnover of staff within the Mining companies also posed a lot of challenges. Staff members with understanding of the process left the employ of their companies in the middle of the process. Mining Companies are advised to open up the EITI process to more staff members.

Another challenge was the timing of the exercise. It is recommended that as much as possible the last three months of the calendar year should be avoided since during that time, participants are usually engaged on various audit activities in fulfillment of company's statutory requirements. At such EITI requests are oftentimes placed on second priority.

The SAP IT solution did not provide the anticipated impetus. It is recommended that its contribution be reviewed as it has the potential to reduce the reporting period.



# OBSERVATIONS AND RECOMMENDATIONS

## Reporting Currency in Reconciliation Exercise:

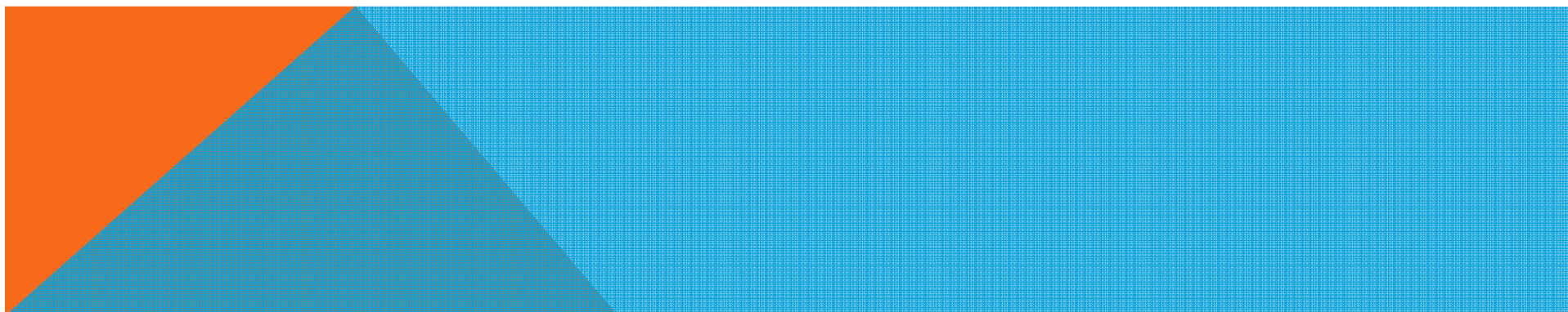
The GRA has requested mining companies to pay royalty and corporate tax in US dollars. Although the receipts provided by the GRA are all in cedis, most of the mining companies provide templates with US\$ as the reporting currency.

The GRA provides receipts in cedis for dollar payments. Some companies are unable to provide amounts paid in cedis. This creates unnecessary discrepancies and delay in reconciliation.

### *Recommendation:*

In order to avoid discrepancies created by currency translations it is important that the companies provide figures in cedis as found on the receipts provided by the GRA. The GRA should also endeavor to keep records of all US dollar payments by companies.

The GRA'S request to companies to make payments in US dollars may necessitate reviewing the currency for EITI reporting.



## SUBMISSION OF ADDITIONAL INFORMATION BY PARTICIPATING COMPANIES

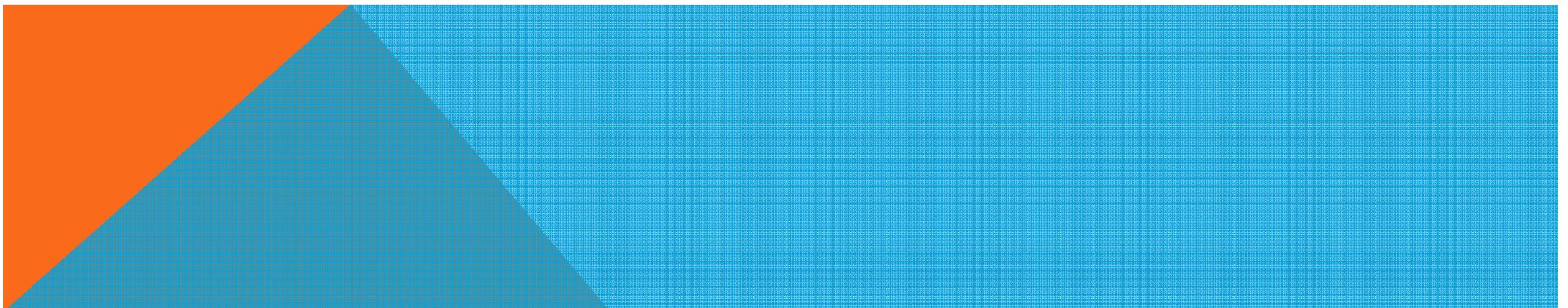
Participating companies were willing to provide information on payments made to government on the revenue streams. However they appear reluctant to provide details on production costs and other information required to fully meet the terms of reference.

Undue delays arise from waiting for such information. The reconciler, due to time constraints had to conclude the report without the provision of the relevant information.

### *Recommendation:*

The Steering committee should deliberate with representatives of the participating companies on the need to provide additional information other than payments to the government.

The terms of reference may be amended in accordance with the outcome of such interactions.





# MINERAL ROYALTY:

Mineral royalty, which is a production based tax is paid quarterly. In the years 2010 and 2011, some companies such as Goldfields Ghana Ltd, Abosso Goldfields Ltd and Newmont Ghana Ltd, paid royalties more than four times. For example in 2011 Newmont Ghana Gold Ltd paid royalty on eight separate occasions.

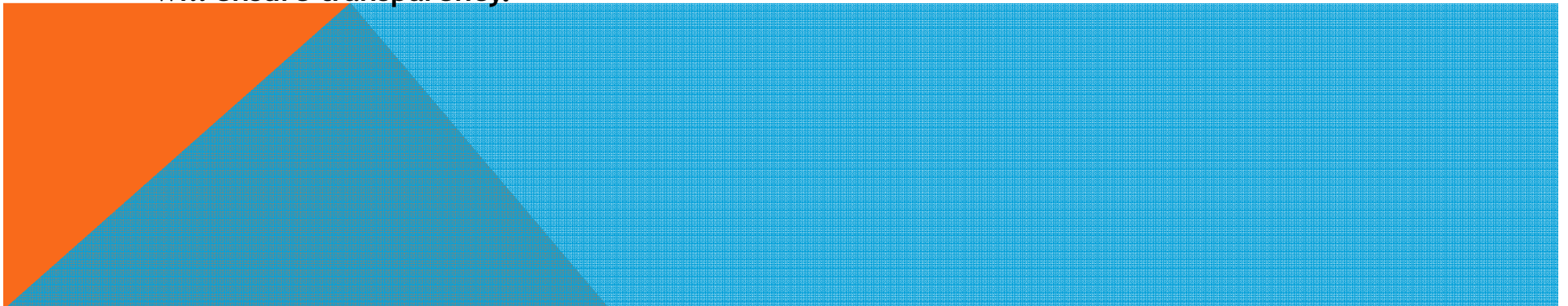
Whilst the frequency of payments in the case of Newmont Gold Ghana Ltd may have resulted from its decision to pay royalties on monthly basis, it was not clear the reasons behind the payments by Goldfields Ghana Ltd and Abosso Goldfields Ltd.

The consequence is that it was challenging establishing whether the correct amounts have been made. This is because royalty payment is based on production. Without specific periods of payments indicated, matching production against royalty proved challenging.

Additionally companies may result in splitting the payment of royalties.

## *Recommendations:*

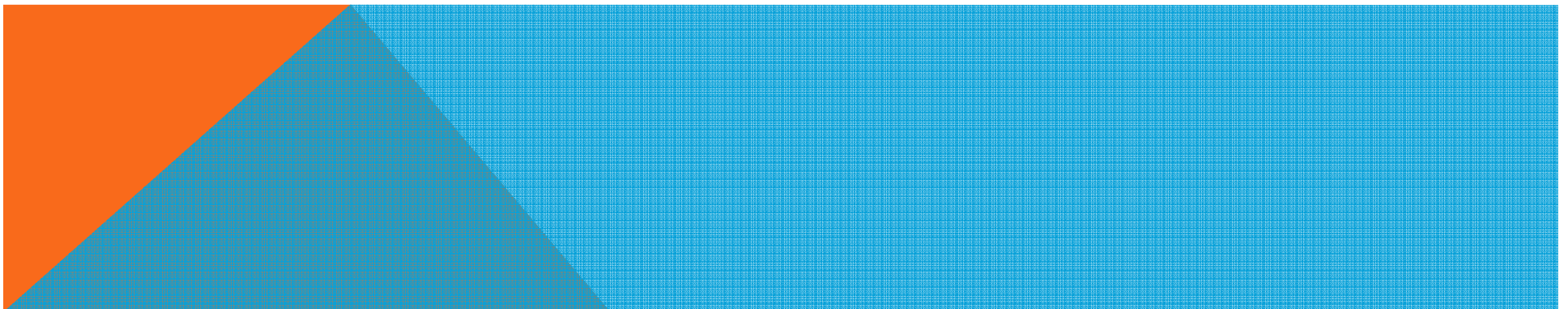
It is very important to establish the frequency of payment of royalty. The regulations on royalty payment that sought to introduce monthly royalty payments should be implemented. This will ensure transparency.



## **HEDGED PRICES**

**Adamus Resources which have posted consistently reduced incomes resulting from hedge prices from July to Dec 2011**

**The GRA is requested to review Adamus royalty payments and also ensure that royalty payments by all companies take the spot price into consideration. Silver revenue should also be included in the computation of royalty.**

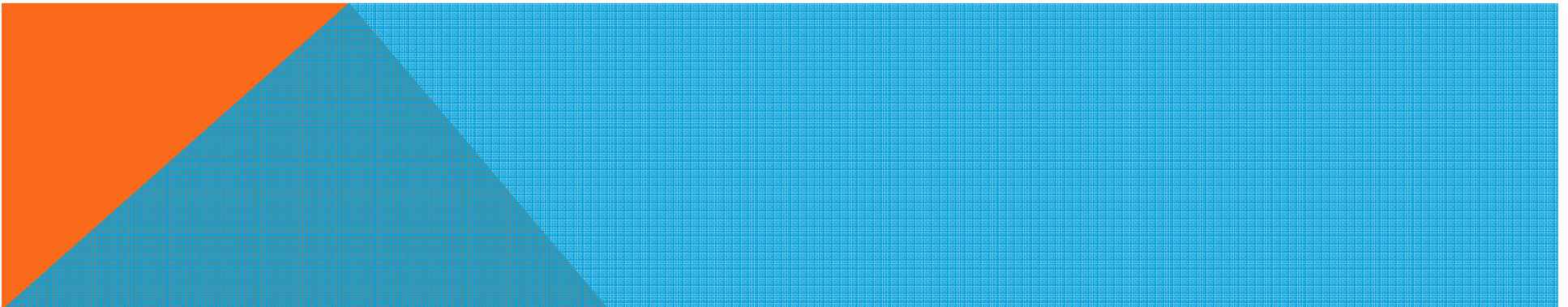


# TRANSFERS IN TRANCHES

Some regional offices of the OASL did not transfer in full amounts due to District Assemblies. For example the Brong-Ahafo regional OASL office received a transfer of royalty from the head office on 15/2/2010. However Asutifi District was paid in two tranches of GHS 263,394.48 and GHS278926.85 on the 2/3/2010 and 1/4/2010 respectively.

## *Recommendation*

District Assemblies should be paid in full and immediately when funds are received from Accra. Amounts due to District Assemblies should not be paid in tranches.



## UTILIZATION OF MINERAL ROYALTY RECEIPTS.

Waste management still takes a significant portion of royalty utilization.

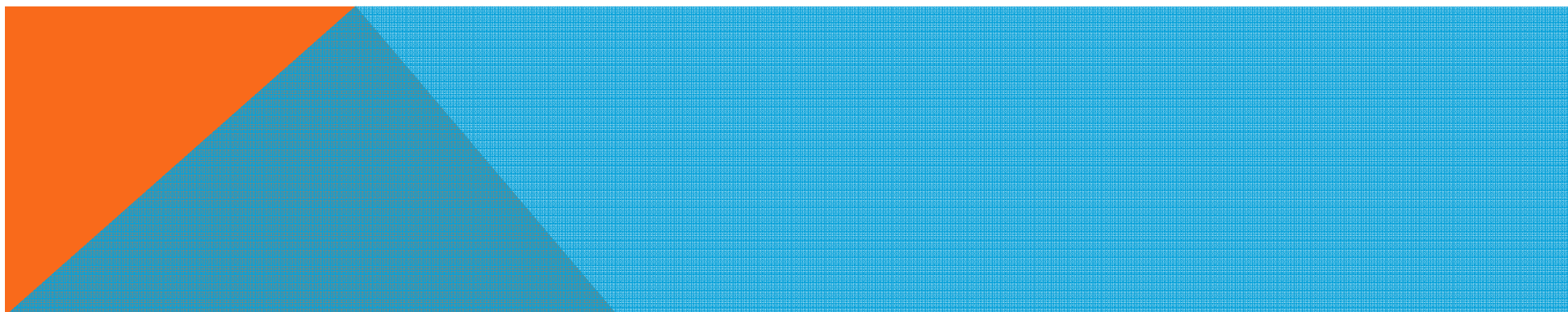
Judging from the fact that mining is a non renewable industry.

In 2010 waste management accounted for 40% of royalty utilization in Obuasi.

Although in 2011 waste management was 30% of royalty expenditure, it was still significant.

### *Recommendation*

Guidelines for the utilization of royalty receipts by District Assemblies should be implemented as early as possible. This will ensure that District Assemblies do not spend substantial amounts of royalty receipts on recurring expenditure such as waste collection.



## **CONCLUSION:**

Corporate tax payments exceeded mineral royalty in 2011. This is very significant as it may mark the end of the initial investment recovery periods for major producers such as Newmont Ghana Gold Ltd. The implementation of the Internal Revenue (Amendment) Act, 2012 ACT 839, which abolishes the 80% first year capital allowance and also deals with ring fencing matters may further improve the collection of corporate tax.

Regulations on payment of mineral royalty need to be addressed. On the implementation of the EITI process, stakeholders should discuss in detail the way forward especially with regards to the provision of relevant data for reconciliation

