

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



REPORT

ON THE

**AGGREGATION/RECONCILIATION OF
MINING SECTOR PAYMENTS AND
RECEIPTS:2007**

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List of Abbreviations/Acronyms

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

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.

Additionally the initiative aims at stimulating debates on the uses of these benefits.

To this end Messrs BOAS and Associates were contracted by the Ministry of Finance and Economic Planning to aggregate and reconcile the mining payments and receipts for the years 2006,2007 and 2008. This report provides details of mining payments, receipts, disbursements and utilization for the year 2007.

Approach

The payments and receipts examined were, Mineral Right Licence;Mineral Royalty; Ground Rent; Property rate; Corporate Tax and Dividend.

All the eleven selected mining companies had their royalty payments thoroughly scrutinized. For gold mining companies, refining certificates were obtained and checked against 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 2006 and self assessments for 2007 were scrutinized to determine the correctness of corporate tax payments for year 2007.by the mining entities.

Financial statements and annual reports for the years 2006 and 2007 were examined to identify dividends declared for the year 2007 by the mining companies. The Dividend payments of these companies were verified against dividends received by oversight government Agency, NTRU.

Ground rent payable for 2007 was determined from mining concessions and applicable rates obtained from the Minerals Commission.

Documentations on Minerals Development Fund were collected from Minerals Commission and Ministry of Lands and Natural Resources.

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

Total benefits received from mining operations of the participating companies in 2007 stood at GHC**61,149,868**.

68% of these benefits was from mineral royalty payments .

This was followed by corporate tax which contributed 25%

Thus mineral royalty and corporate tax contributed 93% of government receipts for mining operations of the participating mining entities for year 2007.

KEY FINDINGS AND RECOMMENDATIONS

- Discrepancies in payment and receipts of royalties to IRS were observed for three mining entities namely:
 - Central African Gold(CAG) (Bibiani)
 - Anglogold Ashanti Ltd-Obuasi
 - Anglogold Ashanti Ltd -Iduaprim

While CAG Ltd indicated royalty payments totaling GHC600,685, the IRS indicated receipts of GHC270,765.

Anglogold Ashanti Ltd- Obuasi indicated a royalty payment of GHC6,286,906 which exceeded IRS royalty receipt from the company by GHC594,310

Similarly, the payment indicated by Anglogold Ashanti(Iduaprim) also exceeded the receipts of IRS by GHC 938,277.

- It appears Anglogold Ashanti, Obuasi 2nd quarter royalty payment of GHC 938,443.58 is lower compared to the quarter's total production of 91,662 ounces.
- Corporate tax receipts were lower than that received in 2006.
- Disbursements made to District Assemblies by Regional OASL offices in 2007 were not in tandem with releases from OASL head office.

Recommendations:

- The Internal Revenue Service should reconcile mineral royalty payments in 2007 with the Central African Gold Ltd, AngloGold Ashanti, Obuasi and AngloGold Ashanti, Iduaprim to address discrepancies observed in royalty payments as well as the apparent short fall in payment for the period.
- The IRS should also investigate corporate tax receipts in the year which was lower than that of 2006.
- OASL regional offices should be monitored by Head Office to ensure lump sum transfer and timely release of disbursements to District Assemblies to enforce transparency.
- A review of the MDF account should be undertaken to address matters relating inflow and outflow observed in the transactions of the account as well as issues related to royalties ceded into the account.

1.0 BACKGROUND: This report presents the aggregation and reconciliation of mining sector payments made by mining companies and received by the Government of Ghana in the year 2007 (i.e. January 2007 –December 2007). 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. A 2006 aggregated report had been duly completed and submitted.

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 2007.
- 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 2007.

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 2007 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 1- Mining companies for 2007 Aggregation

MINE/COMPANY	LOCATION	MINERAL MINED
Anglogold Ashanti Ltd	Obuasi, Ashanti Region	Gold
Anglogold Ashanti Ltd	Iduapriem, 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 Goldfields 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 2007 (see Table 1B and Appendices 2A-2L).

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

MINE/COMPANY	LOCATION/REGION	ACTIVITY/MINERAL MINED
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 the year 2007.

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 2007, 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 e.g. tonnages of ore mined and milled, Mill Head Grade and residue grades were duly examined for the entire 2007.

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 ie 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 to 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 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 2007 was mainly related to the 2006 and 2007 assessment years. Final returns for the year 2006 and self assessments for 2007 were scrutinized particularly for non-allowable deductions.

Capital investments by the companies for the year 2007 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 2007 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.

Focused attention made the accuracy of operating cost as a key determinant of the quantum of corporate tax to be paid in a given year.

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 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 2006 and 2007 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 2007 were made. (see Table 5)

Enquiries were made at relevant OASL regional offices on ground rents payments in 2007.

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 2007 requested at the Minerals Commission.

Mining companies were briefed on the 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 2007 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 made 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.

5.6 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.

5.7 DISBURSEMENTS TO BENEFICIARIES

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

Disbursements from Internal Revenue Service to OASL head office crosschecked as well as the corresponding payment of the total royalties paid by OASL 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 2007.

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

5.8 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 2007 were obtained.

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

Details on District Assemblies Templates were compared with those on Bank statement

6.0 AGGREGATION/RECONCILIATION.

The payments made by mining companies and receipts by government are shown in Table 2 and 3 respectively. Figure 1 provides the percentages of mining receipts in 2007.

Table 2: Company Payments -2007

COMPANY PAYMENTS		2007 AGGREGATED REPORT					
		PERIOD: JANUARY 2007-DECEMBER 2007					
		ALL AMOUNTS IN GHANA CEDIS					
COMPANIES	LICENCE	PROPERTY RATE	GROUND RENT	MINERAL ROYALTY	CORPORATE TAX	DIVIDEND	TOTAL
Anglogold-Obuasi		400,436		6,881,215			7,281,651
Anglogold – Iduapriem **		35,938		3,419,213	1,578,964		5,034,115
						3,749,228	3,749,228
Central African Gold		30,000	-	600,685			630,685
Bogosu Gold Ltd		17,241	-	1,960,264			1,977,505
Ghana Bauxite CO. Ghana Manganse Co.		11,576	-	542,476			554,052
		13,549	-	1,030,516	98,317	104,194	1,246,576
Goldfields –Tarkwa		198,972	-	12,209,689	13,895,969	500,000	26,804,630
Goldfields-Abosso		40,830	-	3,370,784		465,000	3,876,614
GSR-Wassa		17,869		2,075,180			2,093,049
Chirano Gold Mines Ltd		35,000	1,553	1,794,624			1,831,177
Newmont Gold Ghana Ltd			77	8,823,620			8,823,697
TOTAL	0	801,411	1,630	42,708,266	15,573,250	4,818,442	63,902,979

Note: Central African Gold acquired Anglogold -Bibiani in December 2006.

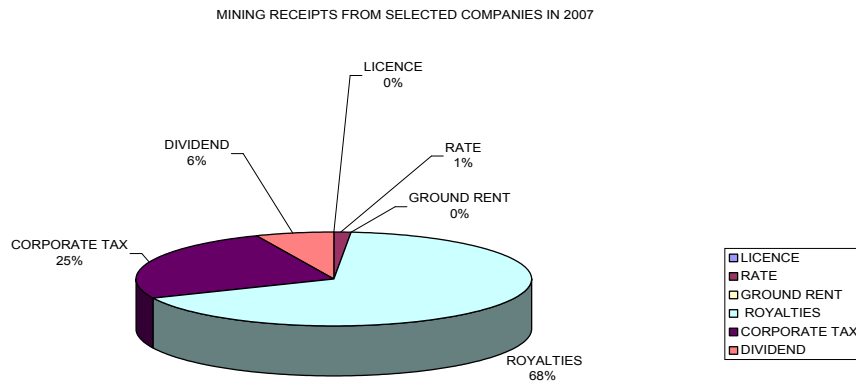
Table 3: Government Receipts-2007

GOVERNMENT RECEIPTS:: **PERIOD: JANUARY 2007-DECEMBER 2007.**

ALL AMOUNTS IN GHANA CEDIS

GOVT AGENCY	MIN.COMM	MUN/DIST ASMBL PROPERTY	OASL	IRS MINERAL	IRS CORPORATE	NTRU	
COMPANY	LICENCE	RATE	GROUND RENT	ROYALTIES	TAX	DIVIDEND	TOTAL
Anglogold-Obuasi		419,541		6,286,906			6,706,447
Anglogold – Iduapriem		35,938		2,480,936	1,578,964		4,095,838
***						3,749,228	3,749,228
Central African Gold		30,000		270,765			300,765
GSR- Prestea/Bogosu		17,241		1,960,264			1,977,505
Ghana Bauxite CO.		11,576		542,476			554,052
Ghana Manganse Co.		13,196		1,030,516	98,317	104,194	1,246,223
Gold Fields – Tarkwa		198,972		12,209,689	13,895,969		26,804,630
Gold Fields- Abosso		37,609		3,370,783			3,408,392
GSR-Wassa		85,738		2,075,180			2,160,918
Chirano Gold Mines Ltd		35,000	1,553	1,785,624			1,822,177
Newmont Gold Ghana Ltd			72	8,823,621			8,823,693
							61,149,868
TOTAL	0	884,811	1,625	40,836,760	15,573,250	3,853,442	

Fig 1: Mining receipts from selected companies in 2007



The reconciliation of the aggregated amounts paid by mining companies and those received by government are shown in Table 4

6.1 RECONCILIATION.

The Summary for company payments and Government Receipts are shown below.

Table 4: Reconciliation of Company Payments and Government Receipts 2007

Benefit/Payments/Receipts	Company Payments(GHc)-A	Government Receipts(GH)-B	Deviation A-B
Mineral Right Licence	0	0	0
Property Rate	801,411	884,811	(83,400)
Ground Rent	1,630	1,625	5
Mineral Royalty	42,708,266	40,836,760	1,871,506
Corporate Tax	15,573,250	15,573,250	0
Dividends	4,818,442	3,853,442	965,000
Total	63,902,979	61,149,868	2,753,111

- **Mineral Royalty.**

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

The production and royalty reconciliation is shown in Appendix 4.

- **Corporate tax**

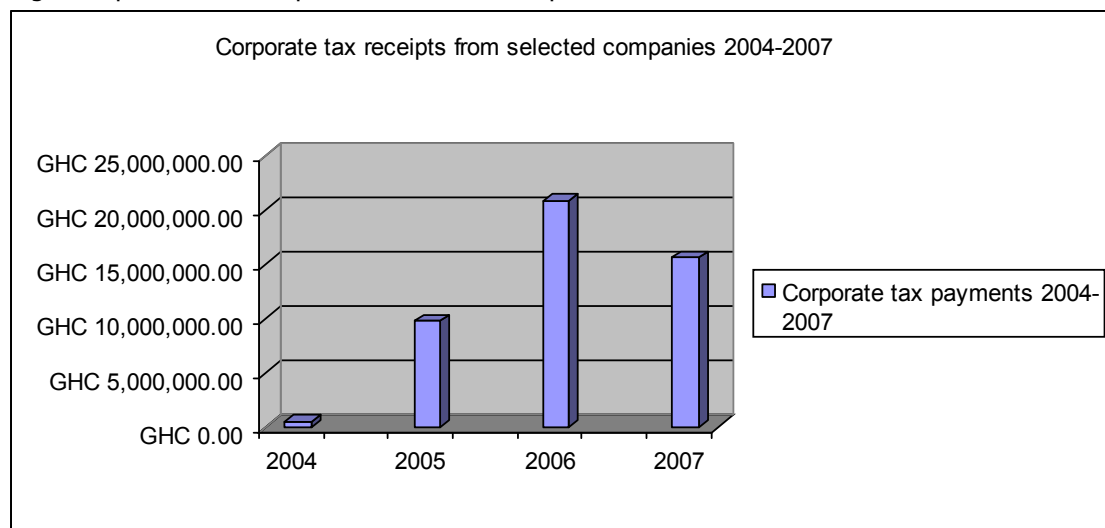
Three companies Anglo gold Ashanti –Iduapriem, Ghana Manganese Co Ltd and Goldfields (Ghana), Tarkwa paid corporate taxes in 2007.

Corporate tax receipts from selected companies since 2004 is indicated below. Corporate tax collection in 2007 was lower than that of 2006.

Abosso Goldfields paid corporate tax in 2006 but did not pay corporate tax in 2007.

With the exception of year 2007, there has been a gradual increase in corporate tax receipts since 2004.

Fig 2:Corporate tax receipts from selected companies 2004-2007



- **Licences**

There was no payment of licence on the leases that are operated by the mines. Lease payments were made before production commenced.

- **Ground Rent**

The concession ground rent payable in 2007 by the mining companies are indicated below.

Table 5: Concession Ground Rent -Amount payable in 2007

Mine/Company	Concession size(km)²	Amount(GHC)*
Anglogold Ashanti-Obuasi	334.27	167.14
Anglogold Ashanti-Bibiani	49.82	24.91
Anglogold Ashanti-Iduapriem	31.00	15.50
GSR-Prestea/Bogosu	224.05	112.03
Goldfields(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.

- **Property Rate**

All the mining companies with the exception of Newmont Ghana Gold Ltd paid property tax to the District Assemblies within their operational area.(see Table 2) Newmont Ghana Gold's development agreement exempts it from the payment of property rate.

- **Dividend**

The Government received dividend payments from two companies namely Ghana Manganese Company Ltd and Anglo Gold Ashanti Ltd (international).

6.2 DISCREPANCIES:

The discrepancy between Company payments and Government receipts amounted to GHc 2,753,111 (see Table 4).

➤ The main contributing factor to the discrepancy is the difference between the royalty figures provided by Anglogold Ashanti Obuasi, Anglogold Ashanti-Iduapriem and the Central African Gold Ltd-Bibiani and the receipts from the IRS. The total royalty reported by these companies exceeded that reported by the IRS for the three companies by GHc1,862,506.

Discrepancy attributed only to mineral royalty amounted to GHc1,871,506.

➤ There was a discrepancy of GHC 965,000 between the dividends paid by Mining Companies and Government receipts. Dividends reported as paid by Goldfields(Tarkwa) GHc 500,000; and Abosso Goldfields Ltd GHC 465,000 were not accounted for as government receipts.

- The other contributing amount is a discrepancy in property rate between companies and District Assemblies. The total discrepancy of GHc -83,399

The companies that had differences in property rates figures from District Assemblies included; Golden Star Resources (Wassa) GHc(67,869) and Anglogold Ashanti, Obuasi GHc(19,105).

7.0 DISBURSEMENTS.

The disbursements made to the regions by the OASL are shown below.

Table 6: ASHANTI REGION:

PERIOD	DATE	VOUCHER NO.	CHEQUE NO.	AMOUNT(GHC)
SEPT 06-JAN 07	23/05/07	ASL/DB/04/07	537166	150,065.32
FEB 07-MAY 07	20/11/07	ASL/DB/12A/07	537177	320,783.22
MAR 07-MAY 07	20/08/07	ASL/DB/12B/07	537175	3,597.25

Table 7 BRONG AHAFO REGION:

PERIOD	DATE	VOUCHER NO.	CHEQUE NO.	AMOUNT(GHC)
SEPT 06-JAN 07	23/05/07	ASL/DB/01/07	537161	308,508.21
FEB 07-MAY 07	20/08/07	ASL/DB/09/07	537172	205,567.69

Table 8: WESTERN REGION:

PERIOD	DATE	VOUCHER NO.	CHEQUE NO.	AMOUNT(GHC)
SEPT 06-JAN 07	23/05/07	ASL/DB/05/07	537167	1,088,517.05
FEB 07-MAY 07	20/08/07	ASL/DB/10/07	537173	650,645.38

7.1 DISBURSEMENTS TO DISTRICTS FROM REGIONAL OASL.

The Mining companies and their operational districts for the year 2007 are shown in Table 9.

Table 9 : **District Assemblies of selected mines -2007**

No.	Mining Company	District(s) Assemblies.	Municipal/District Capital	Region
1	Anglogold Ashanti(Obuasi)	Obuasi Municipal; Adansi South; Adansi North; AmansieEast/Bekwai Municipal; Amansie Central	Obuasi New Edubiase Fomena Bekwai Jacobu.	Ashanti " " " " "
2.	Anglogold Ashanti (Iduapriem)	/Wassa West	Tarkwa	Western
3.	Abosso Goldfields Ltd	Wassa West	Tarkwa	Western
4.	Goldfields (Tarkwa)	Wassa West	Tarkwa	Western Western
5	GSR Wassa Ltd/Wexford	Mpohor Wassa East	Daboase	Western
6.	GSR Prestea/Bogosu	Wassa West	Tarkwa	Western Western
7.	Ghana Bauxite Co.Ltd	Bibiani Ahwiaso	Bibiani	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 from Anglo gold Ashanti Payments.

Table:10: Amount due/received from DA from

Municipal/District Assembly	Amount Due-GHC	Amount received by DA GHC
Obuasi Municipal Assembly	144,871.40	269,852.00
Adansi South District Assembly	41,392.10	38,020.00
Adansi North District Assembly	20,696.05	42,708.00
Amansie East District	16,944.87	
Amansie Central District Assembly	31,469.56	50,920.00

7.3 BRONG AHAFO: Disbursements from Newmont Ghana Gold Ltd

Table:11 :Disbursements in 2007 from Newmont royalty.

District Assembly	Amount Due(GHC)	Amount received(GHC)
Asutifi District Assembly	281,050.86	283,000

7.4 WESTERN REGION: Disbursements from royalties paid by Goldfields (Ghana) Ltd; Ghana Manganese Co Ltd; Anglogold Ashanti(Iduapriem);GSR(Prestea/Bogosu);Abosso Goldfields.

Table 12: Disbursements in 2007.

District Assembly	Amount Due(GHC)	Amount Received(GHC)
Wassa West District	805,669.69	865,400

8.0 UTILIZATION

The budget and the utilization of mineral royalty receipts by the Obuasi Municipal and Wassa West District Assemblies in 2007 are indicated in Tables 13 and 14 respectively.

Table 13 :Obuasi Municipal Assembly:utilization of mineral royalty receipts

No.	Details	Budget(GHC)	Expenditure(GHC)
1.	Scholarship Scheme	50,000	60,000.00
2.	Pavement of Market	30,000	25,975.44
3	Construction of Fence Wall at Obuasi SHS	20,000	61,167.18
4.	Construction of Fence Wall at CKC.	20,000	-
5	Rehabilitation of Assembly Hall at CKC	20,000	-
6.	Construction of 7 unit Barracks-type Quarters for Obuasi Sec Tech	20,000	-
7.	Construction of 6-unit classroom Unit block for St Thomas Catholic Primary. School.	50,000	-
8.	Construction of 6-unit block at Anyinam	50,000	-
9.	Waste Management	20,000	-
10	Construction of Ino. Refuse Transfer Station at Boete (Pilot)	15,000	-
11.	Others(including school feeding advance)		-
12.	Contingency	5,000	-
	Total	300,000	147,142.62

Table 14: **Wassa West District Assembly**: Utilization of Mineral royalty receipts in 2007.

DETAILS	Budget(GHC)	Actual(GHC)
Construction of Roads	30,000.00	35,000.00
Community Initiated Projects	54,000.00	93,327.56
Construction of Stores	30,000.00	10,571.86
Construction of Assembly Buildings	10,000.00	-
Rehabilitation of		

Assembly Buildings	18,200.00	69,497.87
Purchase of Office Furniture	3,000.00	5,763.80
Purchase /Overhauling of Vehicles	28,000.00	82,142.00
Purchase of Equipment	10,000.00	19,876.40
Compensation	10,000.00	11,245.00
Construction of Market Shed	15,000.00	12,387.60
Rehabilitation of Roads		8,696.50
Purchase of Low Cost Houses	-	48,000.00
Construction of culverts.	-	4,380.78
On-Going Projects.	278,954.00	89,910.00
TOTAL	570,000.00	486,418.59

9.0 MINERAL DEVELOPMENT FUND.

9.1 Lodgments and Payments from MDF Account

Table 16 shows royalties paid into MDF account at Bank of Ghana by C & AG and monies expended from the account in 2007

Date	MDF Lodgments	Source	Payments	Description		
				Admin/ Legal Expenses	Refurbishment	Construction Works
08/01/2007			18,591.12	Ministry of Lands		
16/02/2007			46,806.35		Refurbishment – GSD lab	
19/02/2007			41,710.80		Refurbishment – Univ. of Tarkwa	
20/02/2007			48,284.78		Refurbishment – Univ. of Tarkwa	
22/02/2007			118,239.17		Refurbishment – Univ. of Tarkwa	
12/02/07	46,806.30	C &AG				
12/02/2007	208,234.76	C & AG				
19/03/2007	12,729.05	C & AG				
28/03/2007			12,729.05		Refurbishment – UMAT	
21/05/2007	1,045	C&AG				
21/06/2007	102,505.70	C & AG				
25,06/2007			96,483.64		Refurbishment – UMAT	

28/06/2007			6,022.05		Refurbishment – UMAT	
18/07/2007	14,500.00	C & AG				
19/07/2007	101,313.50	C & AG				
25/07/2007	81,300.00	C & AG	60,466.67		Refurbishment - UMAT	
25/07/2007	5,974.78	C & AG	40,846.84		Refurbishment – UMAT	
25/07/2007	33,719.76	C & AG				
30/07/2007			33,719.76		Renovation of Bungalow – Roman Ridge(GSD)	
02/08/2007			14,500.00	Legal Fee		
20/08/2007			81,300.00	Legal Fee		
22/08/2007	32,621.30	C & AG				
22/08/2007	109,337.53	C & AG				
27/08/2007	518,643.78					
28/08/2007			32,621.30		GSD	
28/08/2007			5,948.25		Refurbishment - UMAT	
29/08/2007			103,389.28		Refurbishment - UMAT	
31/08/2007			5,974.78		Refurbishment - UMAT	
06/09/2007			518,643.78			UMAT
10/09/2007	250,000.00	C & AG				
20/09/2007	125,339.31	C& AG	147,096.07			2-storey blocks – Univ. of Tarkwa
20/09/2007			125,339.31			UMAT
20/09/2007			27,235.41			UMAT
21/09/2007	508,906.92	C&AG	209,236.13			UMAT
21/09/2007	194,554.37	C&AG				
26/09/2007			125,339.31			UMAT
05/10/2007			194,554.37	Minerals Commission		
17/10/2007			250,000.00	Ministry of Lands		
01/11/2007	133,920.00	C&AG	133,920.00		GSD	
21/11/2007	1,282,962.62	C&AG				
29/11/2007	844,944.58	C&AG	1,061,947.26	Salary Payments – GCD		
09/11/2007						
06/12/2007			117,164.28	Salary Payments – GCD		
Total	4,609,359.56		3,678,109.76	1,738,057.03	787,162.72	1,152,890.01

Total bank lodgments made into MDF account at BoG in 2007 was GHC4.609m. Withdrawals made from the account amounted to GHC3.678m. The expenditure analysis indicates that GHC1,738,057 was spent on administrative and legal fees, GHC787,162 was spent on refurbishment and GHC1,152,890 spent on construction works.

10.0 OBSERVATIONS AND SIGNIFICANT FINDINGS.

10.1 Mineral Royalty:

There was a discrepancy between royalty paid by Central African Gold (CAG) (Bibiani) and government receipts.

The CAG Ltd indicated that it had made royalty payments totaling six hundred thousand, six hundred and eighty five Ghana cedis (GHC 600,685), the Internal Revenue Service(IRS) indicated receipts of two hundred and seventy thousand, seven hundred and sixty five(GHC 270,765).

10.1.1 Recommendation:

The Internal Revenue Service should reconcile mineral royalty payments in 2007 with the Central African Gold Ltd.

10.2 There was a discrepancy between the royalty payments made by Anglogold Ashanti Obuasi/Anglogold Ashanti-Iduapriem and receipts by the Internal Revenue Service.

The total payment in 2007 indicated by the company exceeds the receipts by the Internal Revenue Service by GHC 594,310. ie Five hundred and ninety four thousand, three hundred and ten Ghana cedis.

The 2nd quarter receipt of GHC 938,443.58 appears low compared to the quarter's production of 91,662 ounces, average gold price for April 2007- June 2007, of US\$667 and average exchange rate of Cedi 9250 to \$ for the quarter.

Similarly the payment indicated by Anglo gold Ashanti (Iduapriem) also exceeded the receipts by the IRS by GHC938,277 . This amount is the third quarter payment which was not captured by the IRS.(see Tables 2 and 3)

10.2.1 Recommendation:

The Internal Revenue Service , Anglogold Ashanti (Iduapriem) and Anglogold Ashanti Obuasi should reconcile royalty payments and receipts for 2007.

10.3 Corporate Tax Receipt:

Corporate tax receipts in 2007 was lower than that of 2006.

This is in spite of the fact that gold prices were higher in 2007 than 2006. Royalty payments were however higher in 2007 than 2006.

10.3.1 Recommendation: The Internal Revenue Service should conduct further investigations to ascertain the reasons for the lower corporate tax receipts in 2007.

10.4 Disbursement:

The disbursements made to District Assemblies in 2007 were not in tandem with releases from the head office. For example whereas the OASL head office made only two releases in 2007(May and November), the Obuasi Municipal Assembly received as many as six(6) payments in the year from the Ashanti regional OASL office .

10.4.1 Recommendation:

In order to ensure transparency in disbursements, the regional OASL offices should ensure that payments to District Assemblies follow releases from the Head Office.

10.5.1 Finding:

The Regional offices of OASL did not provide adequate information on payments of mineral royalties to the District Assemblies.

10.5.1 Recommendation:

Regional OASL offices should provide details of payment to the District Assemblies.

The information to be provided should include; i) the Company paying the royalty; ii) the relevant months under consideration; iii) amount paid by the mining companies.

Where the operational area of the mine straddles the jurisdiction of more than one(1) district Assembly, the sharing proportion should also be stated.

10.6 Mineral Development Fund

Actual lodgments of GHC4,609,359 made into the MDF account in 2007. 10% of royalty collected from selected companies amounts to GHC4,083,676. There exists a discrepancy between company payments of royalties and government receipts of GHC 1,871,506.

10.6.1 Recommendation.

There is the need to reconcile in details royalties received and ceded to the MDF account. More elaborate guidelines should be provided for the operations of the MDF account.

11.0 CONCLUSION:

- Mineral royalty remained the major mining benefit in 2007, accounting for sixty nine percent of all the benefits.
- Corporate tax receipts which had seen a steady growth since 2004, however declined in the year.
- Ground rent, and mineral right licence receipts were insignificant.
- Although dividends receipts represented 2% of total benefits not much could be deduced as the company policies could change yearly.
- There is the need to put in place mechanisms for verifying the appropriateness of payments made by Mining companies to the Internal Revenue Service.
- Lack of concise data on mining receipts and categorisation of receipts into the various tax types also delayed the conclusion of this assignment. For example withholding taxes were sometimes classified as corporate taxes.