

ANNEX E: Excerpts from Ghana Inception Report

Note: The Ghana EITI Inception report was produced by the audit company appointed to carry out the EITI reconciliation exercise. A short excerpt (below) from the report shows the governance structure of the EITI process; the expected benefits of the program; and the terms of reference of the audit company. The full report goes on to provide details of the key stakeholders in the EITI process; which companies will be required to report; and which revenue streams will be covered. A full copy of the report can be found at www.geiti.gov.gh

2.3 EITI IN GHANA

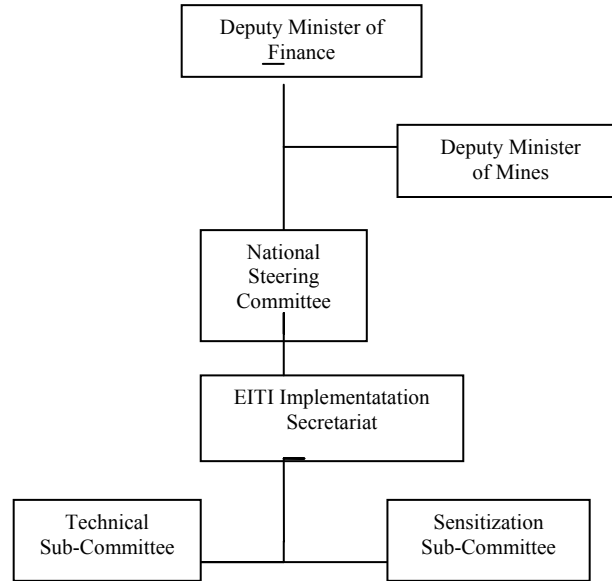
The Government of Ghana committed itself to participate in the Extractive Industries Transparency Initiative (EITI) at the International Conference in London on June 17th 2003. A steering committee (EITI steering committee) has been set up, which is under the leadership of the Deputy Minister of State for Finance and Economic Planning and assisted by the Deputy Minister of Mines, Lands and Forestry.

The EITI Steering Committee is the governing body of the EITI in Ghana. Various stakeholders in the Extractive industry are represented on the committee. The members of the committee comprise of representatives from the under listed agencies or bodies:

- Ministry of Economic Planning
- Ministry of Mines, Forestry and Economic Planning.
- Minerals Commission
- Ghana Chamber of Mines(representing the mining companies)
- Office of the Administrator of Stool Lands.
- Internal Revenue Service
- Wassa West District Assembly
- Civil Society Organizations (led by ISODEC)

The EITI also has an implementation Secretariat at the Ministry of Finance. Two sub-committees (Technical and Sensitization) complete the implementation regime of the EITI in Ghana. The figure below indicates the implementation structure of the EITI in Ghana.

Figure 1: EITI Implementation



Source: EITI Implementation Secretariat (MOFEP)

2.4 Expected Benefits from EITI

The following are the expected benefits to be gained by the country for adopting the Initiative:

- i) The government will through the Ministry of Finance and Economic Planning have added confidence in the declarations and payments by mining companies.
- ii) The mining companies would obtain reasonable knowledge of the benefits that emanate from payments made by them.
- iii) Misunderstandings between mining companies and communities may be easily settled, as communities would become increasingly aware of the benefits of mining.
- iv) Government and its Agencies, realizing the focus on them shall be prudent in the management of resources from the Extractive Industry.
- v) The Initiative will encourage better record keeping by Government and its Agencies.
- vi) Lessons learnt from the findings of the Initiative would be used to formulate recommendations that would enhance the establishment of transparency in payments and disbursements of revenues from the mining sector.

2.5 EITI and Aggregation

In order to promote transparency in the Extractive industry, there is the need to provide information on the payments made by the mining companies to the government within a specified period.

Under the EITI guidelines, the task of Aggregation deals with four broad areas:

- Statutory payments made by the mining companies.
- Revenues received by the Government.
- Disbursements made by the Government to the communities affected by mining activities.
- Utilization of funds disbursed to the mining communities.

2.6 INDEPENDENT AGGREGATOR (EITI-Ghana)

Terms of reference: 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.

The template (format for recording payments/receipts-see Appendix 1) developed would be the basic tool for the data collection from government institutions and extractive companies.

Specifically, the Aggregator shall undertake the following activities:

- Ascertain the appropriateness of revenues received as mineral royalty, dividends and tax on profit.
- The aggregator shall also analyze the tax deductions claimed by the companies for the purpose of identifying any improper claims.
- Check the disbursements made from the revenues received and ascertain if they are in conformity with legislation.
- Scrutinize the payment made to District Assemblies, Traditional Authorities and Stools within the operational areas of mines.
- Ascertain the appropriateness of payments made with regards to mineral royalties; ground rent; dividends; taxation on profits and for mineral rights.
- Check if the declarations of quantities of minerals declared are in conformity with the declarations made to the Mineral Commission and refining certificates.
- Review financial statements for consistency for both companies and institutions. Specifically, for companies the aggregator shall review company capital investments and operating cost.
- 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.

Perform the audit of operating costs in order to assess if the deductions claimed were actually incurred and correspond to legitimate operational expenses as these affect the taxable profit of the companies.

- Review feasibility reports of Mining Companies in order to compare the projected production with the actual production.
- Reconcile the data so collected to ascertain if there is any disparity between the governments reported template and the aggregated companies reporting template.

The Ministries, Agencies and Entities which would provide data and information for this assignment include:

- i) The Ministry of Finance and Economic Planning
- ii) The Ministry of Land, Mines and Forestry.
- iii) The Minerals Commission
- iv) The Mines Department
- v) The Internal Revenue Service (IRS)
- vi) The Administrator of Stool Lands
- vii) The Customs Excise and Preventive Services (CEPS)
- viii) Mining companies.

The District Assemblies, Traditional Councils, and Stools within the area of operation of the mines being considered.