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PERFORMANCE AUDIT REPORT
of the
AUDITOR GENERAL
on the

UTILISATION OF MINING DEVELOPMENT FUND BY METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES

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TRANSMITTAL LETTER

Re No. AG.01/109/Vol.2/66

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18 March 2013

Dear Mr. Speaker,

PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL ON UTILISATION OF MINING DEVELOPMENT FUND BY METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES

I have the honour to submit to you for presentation to Parliament a performance audit report on Utilisation of Mining Development Fund (MDF) by Metropolitan, Municipal and District Assemblies (MMDAs). The audit was undertaken in accordance with my remit under Article 187(2) of the Constitution of Ghana and Section 13(e) of the Audit Service Act, 2000 (Act 584).

2. The audit was intended to determine whether MMDAs were effectively using their MDF to mitigate the harmful effects of mining in their areas of jurisdiction. After 17 years of existence of the Fund with an amount of GH¢35.3 million accruing to it, we found that MMDAs were not effectively applying the funds to mitigate the harmful effects of mining. In particular, MMDAs were neither carrying out effective studies to identify the harmful effects of mining nor applying the funds received solely on projects intended to mitigate the harmful effect of mining.

3. We made recommendation to help management to use the Fund for its intended purpose. Managements' responses to our recommendations are attached to the report as Appendix E.

4. I trust that this report will meet the approval of Parliament.

Yours faithfully,

RICHARD Q. QUARTEY

AUDITOR-GENERAL

THE RIGHT HON. SPEAKER
OFFICE OF PARLIAMENT
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EXECUTIVE SUMMARY

The Mining Development Fund (MDF) was established in 1993 by an executive fiat of the Government of Ghana (GOG) to:

- enable the recycling of mining revenues to communities which host mining operations to undertake development projects to mitigate effects of mining on the environment, and
- support the operating budget of mining sector institutions as well as some specific mineral related projects.

2. The MDF constitute 20% of royalties paid by mining companies to the Government of Ghana. Half of this amount is paid to the Office of the Administrator of Stool Lands (OASL) to be disbursed to beneficiaries. OASL retains 10% of this amount and disburses 55% of the remaining to MMDAs, which is the focus of this audit.

3. The purpose of the audit was to find out whether Metropolitan, Municipal and District Assemblies (MMDAs) are effectively utilising MDF to mitigate the effects of mining in their communities and whether projects undertaken with MDF are mitigating the harmful effects of mining.

4. The study showed that MMDAs are not effectively utilising the MDF to mitigate the harmful effects of mining in their areas of jurisdiction. This was due to the fact that while MMDAs did not carry out studies to identify the harmful effects of mining, the MDF received was used to fund projects other than those supposed to mitigate the harmful effects of mining.

5. MMDAs did not carry out risk assessments to identify harmful effects of mining. Rather, the needs assessments carried out identified general needs of communities, which could possibly overlook the effects of mining on a particular community.

6. We recommended that MMDAs should exclusively conduct risk assessment on the effects of mining in their jurisdictions to effectively identify the harmful effects of mining predominant in their communities. This will enable them to develop appropriate strategies to mitigate them.

7. The use of MDF is not limited to redressing the effects of mining as required. Our analysis shows that out of GH¢6.74 million received from 2004 to 2009 by three MMDAs, only GH¢0.96 million (14.2%) was spent on health, water & sanitation and waste management, land degradation and alternative sources of livelihood; areas directly affected by mining activities.

8. Additionally, MMDAs utilised MDF either in whole or partly for varied projects which do not mitigate the harmful effects of mining. Furthermore, MMDAs did not operate a separate account for MDF as they treated the fund as Internally Generated Fund (IGF).

9. We recommended that the OASL, the administrator of the fund, should draw guidelines on the use of the fund and also monitor and ensure that the plans of action presented by the MMDAs conformed to the guidelines.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Reasons for the audit

Ghana has a variety of mineral deposits and extracting and using gold is known to date back more than five centuries. Today, multi-national companies and the local indigenes continue to engage in the extraction of minerals in one form or the other. According to the Mining Portal[1] of Ministry of Lands and Natural Resources, the extractive sector plays an important role in the growth and development of the country, with minerals accounting for about 37% of total foreign exchange earnings and 5% of Ghana's GDP.

2. The mining industry is dominated by nine large-scale mining companies producing gold, diamond, manganese and bauxite. The companies include Gold Fields Ghana Ltd, Newmont, AngloGold Ashanti and Golden Star Resources. The others are Abosso Goldfields Ltd, AXMIN Incorporated, Birim Goldfields Incorporated, Adamus Resources Ltd and Red Back Mining Incorporated. Apart from the large scale mining companies, small scale local miners popularly known as Galamsey also operate in mining areas.

3. Mining activities create environmental and health concerns in the communities where they operate. Tracts of land have been degraded, arable lands have been taken over by mining concessions and farms which the people depend on for their livelihood have been destroyed. The use of chemicals such as mercury and cyanide also pollute the air, water and soil in such areas causing public health hazards and also destroying farms lands.

[1] Website set up by Ministry of Lands and Natural Resources (www.ghana-mining.org) in 2006 to provide a transparent information source for all investors and the general public

4. To mitigate the harmful effects of mining activities, the Government of Ghana, in 1993 by an Executive Fiat established the Mining Development Fund (MDF) to provide funds for communities which host mining operations to undertake development projects to mitigate the effects of mining on the environment and support the operating budget of mining sector institutions and some specific mineral related projects. Records at Minerals Commission show that a total of GH¢35.3 million accrued to MDF from 1998 to 2009.

5. Despite the huge sum of money that accrued to the fund and after 17 years of the existence of the MDF, there is growing public concern about increasing deplorable conditions such as land degradation, water and air pollution, bad road networks and poor sanitation in the mining areas which the Fund was meant to mitigate. An article in the 5 June 2005 edition of the Business News and carried by Ghana News Agency entitled "mining companies degrading the environment" succinctly catalogued the extent and types of degradation visited on communities by mining companies.

6. Following these public concerns, the Auditor General in line with Section 13(e) of the Audit Service Act, Act 584 of 2000, commissioned a performance audit into the utilisation of MDF by beneficiary Metropolitan, Municipal and District Assemblies (MMDAs).

1.2 Purpose and scope

7. The audit sought to determine whether MMDAs used their portion of MDF to mitigate the harmful effects of mining in the mining areas. The audit examined whether MMDAs have:

a. identified harmful effects of mining within their jurisdictions
b. developed projects, programmes and activities to mitigate the harmful effects of mining, and
c. used MDF allocated to them to implement the planned projects, programmes and activities to mitigate the harmful effects of mining.

8. The audit was conducted in October 2010, covering the period 2004 to 2009, focusing on the use of the MDF disbursed by the Office of the Administrator of Stool Lands (OASL) to MMDAs in the mining areas. The study was limited to mining areas in Western and Ashanti Regions, namely, Tarkwa Nsuaem Municipal Assembly (TNMA) and Prestea Huni Valley District Assembly (PHDA) in the Western Region and Obuasi Municipal Assembly in the Ashanti Region.

9. These Assemblies were selected because they host the four largest gold mining companies in the country in terms of concessions and also received a greater proportion of MDF. According to OASL Annual Reports (2004 – 2009), the three MMDAs received a total amount of GH¢6.74 million representing 57% of total MDF of GH¢11.9 million disbursed to 21 beneficiary MMDAs in seven regions.

1.3 Methods and implementation

10. We used interviews, documents review, physical inspection and focus group discussions in collecting data for the study. This was to enable the audit team obtain first-hand information from the beneficiaries themselves on the impact of the fund on the communities.

Interviews

11. The team interviewed key persons in the disbursement and utilisation of MDF and Environmental Officers. This was to enable the audit team obtain enough information on the administration and utilisation of MDF and also obtain data on prevalent diseases in the communities. We also interviewed selected assembly members, community members and opinion leaders to corroborate information obtained from management of the assemblies. The list of interviewees and why we interviewed them are provided as Appendix A.

Document Review

12. The team reviewed documents related to the administration and utilisation of MDF to enable us understand how MDF is disbursed and utilised. The list of

documents reviewed and the information to derive from them are provided as Appendix B.

Physical Inspection

13. We inspected projects undertaken in selected communities within the assemblies to ascertain their existence, types of projects and their relevance to the mitigation effects.

Focus Group Discussion

14. We held discussions with selected community members to find out:

- how they have been affected by mining activities
- whether community members had inputs in identifying the effects of mining and the programmes to mitigate them, and
- whether community members were involved in needs assessment as indicated by the MMDAs.

CHAPTER TWO

2.0 DESCRIPTIVE CHAPTER

2.1 Historical Background

15. Mining is extracting or removing minerals from the ground. The extraction and use of minerals especially gold have been known to Ghanaian royals since the 10th century. At the time, the minerals were collected from river beds (alluvial) and processed into ornaments without any effects on the environments. The arrival of the Europeans to the then Gold Coast witnessed massive industrial mining involving open pits and deep mining. They also implored the use of chemicals to extract the minerals. In so doing, vast tracks of lands were acquired as concession and water from water bodies was used to wash the metals.

16. In the process of mining, chemicals used in extracting minerals seep or are discharged into water bodies resulting in pollution of streams and rivers which deprive communities of safe drinking water and also affect aquatic life. Also, blasting of rocks creates dust clouds, which when inhaled causes respiratory disorders for residents. While lands acquired as concessions deprived the communities of farms, forests became degraded and pits created from excavations became receptacles for stagnant water and thus becoming breeding grounds for mosquitoes, contributing to the high prevalence of malaria in mining areas.

17. In view of the above, the Government of Ghana in 1993 by an Executive Fiat established the MDF to enable the communities which host mining operations to undertake development projects to mitigate the effects of mining on the environment and to support the operating budget of mining sector institutions and some specific mineral related projects.

2.2 System Description (Administration of MDF)

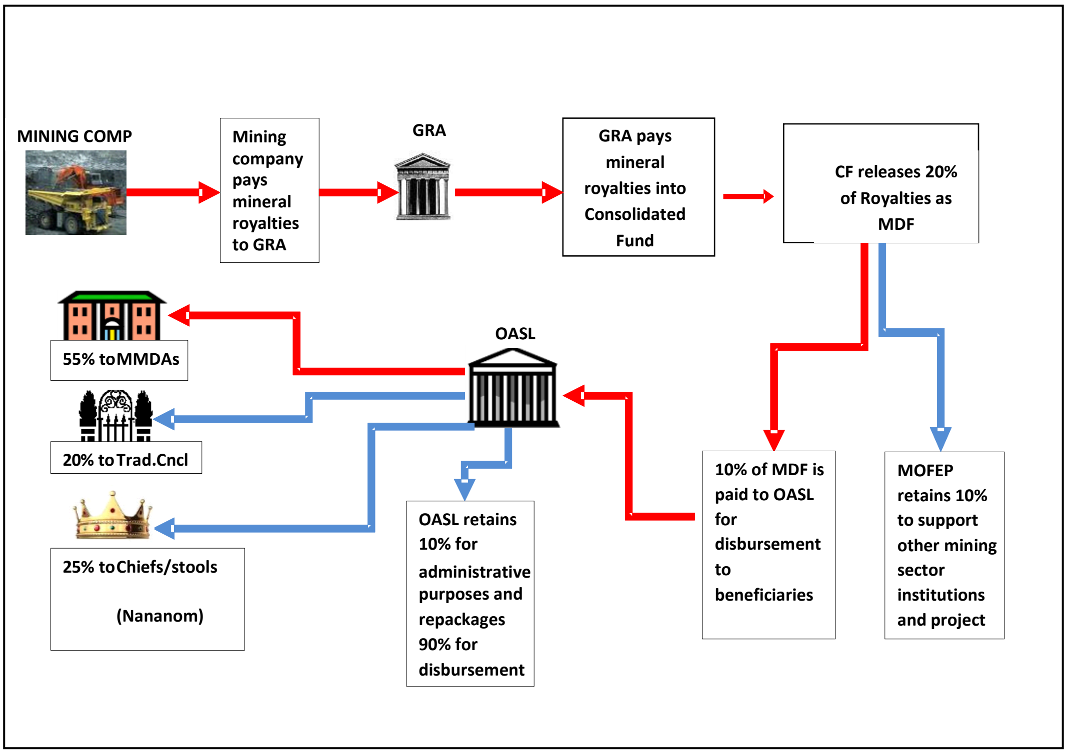
18. Administration of MDF begins with the collection of royalties from mining companies by the Ghana Revenue Authority (GRA). Twenty per cent (20%) of this

amount is set aside by GRA and referred to as MDF. MDF is paid into the Consolidated Fund (CF) managed by Ministry of Finance and Economic Planning (MOFEP). MOFEP pays 50% of the MDF to OASL to be disbursed to beneficiaries. OASL retains 10% of the 50% received from MOFEP for administrative purposes. The remaining amount is repackaged as a whole and disbursed as follows:

- 20% to Traditional Authorities
- 25% to Stool/Chiefs
- 55% to MMDAs

Figure 1 shows a flow chart on the administration of MDF.

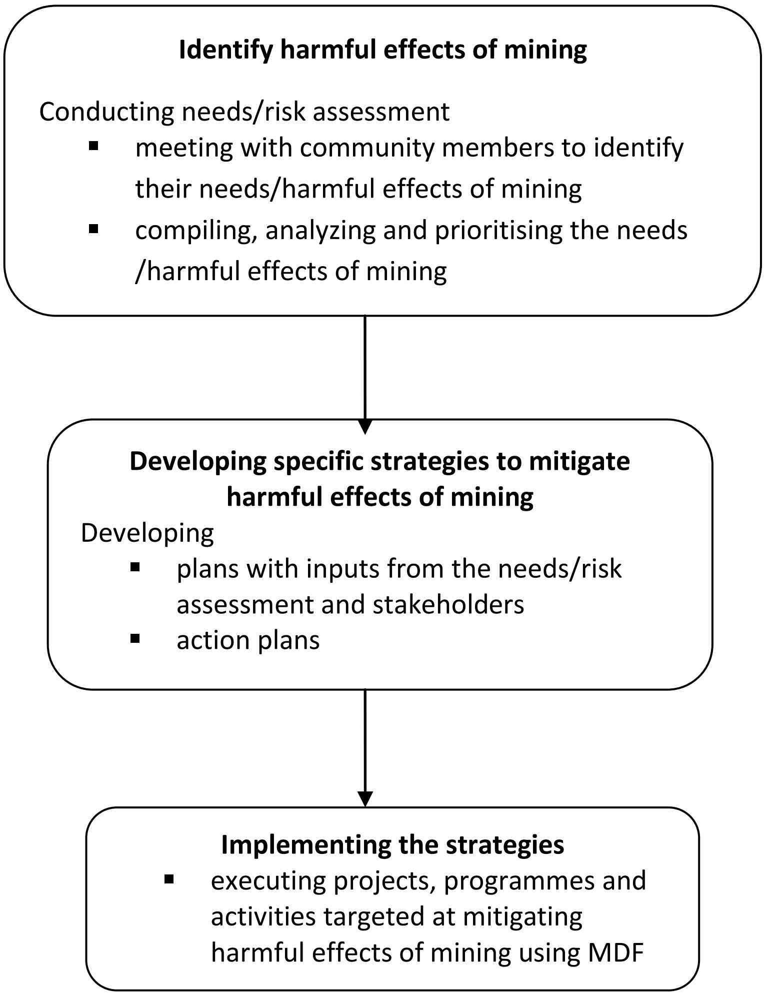
Fig 1: Flow chart on administration of MDF



Source: Graphical impressions generated by Audit Service

19. Figure 2 shows the main activities undertaken by MMDAs in the utilisation of MDF to mitigate harmful effects of mining.

Figure 2: Diagram showing the processes to identify and mitigate the harmful effect of mining



2.3 Mandate, goals and objectives of MMDAs

20. MMDAs were established in accordance with Article 241(3) of the 1992 Constitution as the highest political authority in their jurisdiction to exercise political and administrative authority in the district, provide guidance, give direction to, and supervise the other administrative authorities in the district.

21. The functions of MMDAs as stated in Section 10 (3e &3h) of the Local Government Act, 1993, Act 462) include:

- developing, improving and managing human settlements and the environment in the district; and

- initiating, sponsoring or carrying out studies that are necessary for the performance of a function conferred by this Act or by any other enactment.

2.4 Organisational structure

22. The organisational structure of the MMDAs is attached as Appendix C of this report.

2.5 Funding

23. The MMDAs we visited receive funding from various sources, such as District Assemblies Common Fund (DACF), Internally Generated Fund (IGF), MDF and royalties from mining companies. Table 1 shows MDF received by OMA, TNMA and PHDA from 2004 to 2009.

Table 1: MDF received by three MMDAs from 2004 to 2009(in GH¢ Million)

Assembly	Years						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**Total**
TNMA	0.86	0.42	0.70	0.80	1.15	0.84	**4.77**
***PHDA**	-	-	-	-	0.39	0.82	**1.21**
OMA	0.23	0.10	0.07	0.17	0.12	0.07	**0.76**
Total	**1.09**	**0.52**	**0.77**	**0.97**	**1.66**	**1.73**	**6.74**

Source: Audit Service compilation of data from MMDAs

****PHDA was established in 2008.***

2.6 Key players and their activities

24. Key players in the administration of MDF and their activities are attached as Appendix D.

CHAPTER THREE

3.0 FINDINGS AND RECOMMENDATIONS

3.1 Introduction

25. The Executive Fiat that established the MDF also requires beneficiary MMDAs to use MDF allocated to them to mitigate the effects of mining on the environment and the people within the catchment area. The three selected MMDAs have identified land degradation, air and water pollution as consequences of mining activities in their 2006-2009 Medium Term Development. Accordingly, they have indicated that people living in these mining areas are affected by diseases of the respiratory tract and high incidence of malaria. Also, high cost of food due to loss of farm lands and lack of potable water resulting from pollution of drinking water sources have been recorded. MMDAs hosting mining operations are therefore required to use MDF allocated to them by the OASL to mitigate the harmful effects of mining.

26. Consequently, the mandate of the MMDAs requires them to initiate development projects to mitigate harmful effects of mining in their areas. To achieve this goal, MMDAs must identify the effects of mining and develop and implement strategies to mitigate them.

27. MMDAs carry out needs assessment to identify the needs of the community so that they can be addressed. However, the needs assessment tends to catalogue community demands which are not based on technical assessment of risks. We found in particular that:

- MMDAs did not carry out studies to identify the harmful effects, and
- MDF is used to fund projects other than those that will mitigate the harmful effects of mining.

3.2 MMDAs did not carry out studies to identify the harmful effects of mining

28. Step 4c(iii) of National Development Planning Commission (NDPC) Guidelines[2] requires MMDAs to give special consideration to environmental concerns relating to opportunities associated with the district while mitigating their corresponding risks. This requires MMDAs to take steps to mitigate the harmful effects of mining on the environment and the corresponding risk.

29. Additionally, Section 10 (3e&3h) of the Local Government Act, 1993, Act 462, requires MMDAs to initiate, sponsor or carry out studies that are necessary for the performance of a function conferred by this Act or by any other enactment.

30. We expected the MMDAs which are recipients of MDF to carry out studies to identify the harmful effects of mining and based on the studies, develop and implement projects that will mitigate the harmful effects. We found during interviews with officers of the Development Planning Units of the MMDAs visited that, the needs of the communities are identified during community appraisals. The Planning Units of the Assemblies which facilitate the exercise draw schedules for the community appraisals. The Planning Units then inform all Assembly members and Unit Committee members to arrange for venues and ensure all communities and stakeholders within their electoral areas are informed to participate in the exercise.

31. The planning officers of MMDAs engage community members and stakeholders in discussions, soliciting their views on their developmental needs. Development needs identified by participants in the various communities and electoral areas are compiled and prioritised by the Planning Units. The Planning Units develop strategies/interventions to address the identified needs of the communities.

[2] Preparation of Medium-Term Development Plan (MTDP), The Ghana shared Growth and Development Agenda (GSDGA I) 2010 – 2013

32. We found that the needs assessment identified projects such as provision of potable water, plastic chairs, construction of roads, intercom systems, toilet facilities**,** purchase of vehicles, construction and renovation of bungalows, markets sheds, land reclamation, pavement of lorry parks, waste management, and alternative sources of livelihood. The team analysed projects identified through needs assessment which were intended to be funded by MDF and found that not all of them were targeted at mitigating the harmful effects of mining for which the MDF was established. Details are provided in Table 2.

Table 2: Some planned projects identified by needs assessment

Assembly	Projects that will mitigate harmful effects of mining	Projects unrelated to the harmful effects of mining
OMA	✓ Grading of selected roads ✓ Reviving two polluted rivers ✓ Ensuring 100% accesses to potable water ✓ Purchase of meat van ✓ Construction of KVIP toilet facilities ✓ Construction of 1 no. 6-unit classroom block ✓ Construction of an engineered solid waste disposal site and provision of logistics ✓ Construction of reinforced surface drainage system	× Provision and installation of traffic signalling equipment × Construction of mortuary for Obuasi Government hospital × Construction of 2-storey residential block for MCE × Construction of entrance arch (entering Obuasi) × Refurbishment of OMA Goil filling station × Purchase of Toyota Hiace mini Bus × Purchase of two motorcycles × Repair of intercom system of OMA
TNMA	✓ Construct 45 hand dug wells with pumps and 30 boreholes ✓ Construct of market sheds ✓ Construct of stores ✓ Construct Tarkwa-Tamso link road ✓ Train 100 farmers in grass cutter, snail and piggery skills ✓ Collaborate with EPA and Minerals ✓ Commission to enforce concurrent land reclamation	× Purchase of Toyota Hilux Pickup × Renovation of Bungalow No.1 × Rehabilitation of T & A Park × External work on Assembly Hall Complex × Construction of Area Council office
PHDA	✓ Construct 10 fish ponds ✓ Train 200 youth in employable skills ✓ 100 farmers in grass cutter, snail and piggery skills ✓ Support sustainable land management ✓ Rehabilitate broken down and construct boreholes and hand-dug wells with pumps ✓ Construct slaughter house ✓ Construction of 1 no. 4-unit classroom block, office and store ✓ Construction of 1no. 16 seater aqua privy toilet	× Construction of bungalows for DCE, DCD, and staff × Construction of District assembly's office complex/Assembly hall × Production of cadastre and topographic map × Create motivational packages for revenue collectors × Training programs for revenue collectors.

Source: Project Files of the MMDAs

33. We were informed by management of the MMDAs that, the needs assessment as required by the NDPC, is a tool for identifying the general

developmental needs of the communities and not purposed for identifying the effects of mining. They added that even though no special exercise (study) is conducted to specifically identify effects of mining in the communities, the needs of communities concerning the effects of mining are covered during the needs assessment.

34. The team however found that the needs assessment as carried out is not able to identify all the harmful effects of mining in the communities. Alternatively MMDAs can rely on environmental risk and impact assessment undertaken by the mining companies as the basis for evaluating the harmful effects of mining in their communities. Information on the study can then be used as a guide during the community needs assessment to prioritise their development for the use of the MDF.

35. It is apparent from the needs assessment as it is done by the MMDAs, that an effect of mining in a community will not be identified and addressed if community members do not present it during the needs assessment. For example, Breman a community in PHDA close to Goldfields-Darmang mines at old Atta- ne-Atta had its source of drinking water (River Nwrawra) coloured brown from earth deposit as a result of mining activities. (See Picture 1).

Picture 1: A section of river Nwrawra

Source: Audit Service photograph of 28/5/2010

36. The effect of mining in this community which is a polluted water source was not identified and mitigated because it was not brought up during the needs

assessment. A risk assessment in the Breman community would have identified river Nwrawra which has been polluted as a result of the mining activity. Instead the community needs conducted by the PHDA identified plastic chairs as a need which was funded with the MDF. As at the time of the audit, the community members of Breman trek to Aboso (about 10 kilometres from Breman) to purchase sachet water for drinking.

37. Our review of financial statements of the PHDA for 2008 further disclosed that the Assembly received GH¢0.39 million as MDF. This amount was enough to provide the community of Breman with at least one borehole at the cost of GH¢0.06 million at the time of the audit in October 2010. Instead, plastic chairs were procured which according to them, was what the community requested.

38. At the time of the audit, a tailings dam used by AngloGold Ashanti (AGA) in OMA, overflowed into River Apitikooko which also flowed through the farmlands of the Apitikooko community destroying their crops. The team interviewed residents of Apitikooko who said the name of the community was derived from cocoyam, a crop that grew along the banks of the river before mining began in the area. According to an opinion leader "the cocoyam that grew along the banks of the river are all extinct, ten year old cocoa trees no longer bear fruits, plantains and other crops on the farms are dying". These were attributed to the chemicals used by a mining company that is polluting their community. As at the time of the audit, nothing had been done about the overflow from the tailings dam, and no alternative source of livelihood has been provided for the community.

Conclusion

39. The process of identifying the harmful effects of mining and developing strategies to mitigate them was not risk-based and therefore not helpful to mitigate the harmful effects of mining.

Recommendation

40. To improve upon the assessment process, MMDAs should:

i. conduct assessment based on risk to identify the harmful effects of mining in their communities
ii. collaborate with EPA to use the Environmental Impact Assessment conducted by mining companies to identify the harmful effects of mining
iii. develop strategies and plans for implementation based on the risk assessment to mitigate the harmful effects of mining, and
iv. use the issues identified in risk assessment for discussion during needs assessment.

41. We also recommend that the OASL should review and approve a plan of action of beneficiary MMDAs based on risk assessment before releasing funds to the MMDA.

Auditees' Responses

Prestea Huni-Valley District Assembly

42. Management took note of the recommendations and would expand the usual needs assessment to include identification of harmful effects of mining in the communities affected by mining operations. It however, explained that to ensure a balanced and holistic development of the district, the Assembly applies part of the MDF on projects of general interest and beneficial to the communities.

Tarkwa Municipal Assembly

43. Management accepted the recommendations.

Obuasi Municipal Assembly

44. We did not receive any response from the Assembly.

3.3 MDF is used to fund projects other than those to mitigate the harmful effects of mining

45. The Executive Fiat of 1993, which established the Mineral Development Fund, requires beneficiary MMDAs to use MDF allocated to them to mitigate the harmful effects of mining in their areas of jurisdiction. MMDAs are required to develop specific strategies to redress the harmful effects of mining. The strategies will be outlined in a Plan of Action with specific programmes, projects and activities targeted at achieving the set objectives of mitigating the harmful effects.

46. We found that each of the three Assemblies visited had planned development projects which would mitigate the effect of mining when implemented. However, not all of these projects were implemented or completed due to co-mingling of funds by the MMDAs which enabled other projects to be funded by MDF. Table 3 shows an extraction of projects from the plans of action of the three Assemblies which in our opinion, when implemented or completed, would mitigate some of the harmful effects of mining. These projects were to be implemented between 2005 and 2009 at a total cost of about GH¢1.30 million, using MDF.

Table 3: Projects to be funded by MDF for 2005 - 2009

Assembly	Planned programme/projects	Estimated cost (GH¢)	Status at the time of audit
OMA	• Revive two polluted water	4,000.00	Not implemented
	• Ensure 100% access to potable water	500,000.00	52% of communities do not have access to potable water
	• Construction of engineered solid waste disposal site and provision of logistics	300,000.00	
Sub Total		**804,000.00**	
TNMA	• Construct 45 hand dug wells with pumps	75,000.00	Not implemented
	• Construction of 1 No. small town water system district wide	200,000.00	Not implemented
	• Train 100 farmers in grass cutter, snail and piggery skills	2,000.00	Not implemented
	• Collaborate with EPA and Minerals Commission to enforce concurrent reclamation	120.00	Not implemented
	• Establish 100 hot wood farmers and promote 50 farmers in Agro-training.	5,300.00	Not implemented
Sub Total		**282,420.00**	

PHDA	• Construct 10 fish ponds • Train 200 youth in employable skills • 100 farmers in grass cutter, snail and piggery skills • Support sustainable land management • Rehabilitate broken down and construct boreholes and hand-dug wells with pumps	10,000.00 126,000.00 4,000.00 1,384.00 80,000.00	Not implemented Not implemented Not implemented Not implemented 3 boreholes constructed
Sub Total		**221,384.00**	
Grand Total		**1,307,804.00**	

Source: Audit Service extraction of projects from the Plans of Action of the 3 MMDAs

47. For example, OMA planned to revive two polluted water bodies, (River Kunka and River Akaporiso) by planting trees around them at a cost of GH¢0.04 million. TNMA planned to construct a small town water system district wide at a cost of GH¢0.02 million to improve safe drinking water supply to the communities, and also to train 100 farmers in grass cutter, snail and piggery skills to support alternative livelihood programme. At the time of the audit in 2010, these projects had not been implemented. At PHDA, a programme to support sustainable land management to reduce and reclaim degraded land was also not implemented.

48. We analysed the financial statements of the three MMDAs and found that from 2005 to 2009, an amount of GH¢6.74 million was disbursed to the three MMDAs (See Table 1). A review of expenditure of the three MMDAs revealed that only GH¢0.96 million (14.24%) was spent on health, water and sanitation and waste management. The bulk of the money of GH¢5.78 million (85.76%) was rather spent on projects which, in our opinion, do not serve the purpose of the fund, as shown in Table 4. (See Table 4).

Table 4: Extracts of projects funded with MDF which do not serve the purpose of the fund

Assembly	Project	Cost (GH¢)	Remarks
OMA	Purchase of Toyota Hiace Mini Bus	20,000.00	To support revenue mobilization
	Purchase of 2 motorcycles	8,537.00	Allocated to building inspectorate Department
	Construction of bridge at Kwabrafoso	31,086.00	Abandoned after 92% completion
	Contingencies (2004 – 2009)	584,689.00	100% MDF for 2009 used
	Refurbishment of OMA GOIL filling station	10,000.00	Abandoned
	Construction of 2-storey residential block for MCE	219,095.00	On-going
	Construction of entrance arch	48,646.00	Completed
	Repair of intercom system	16,000.00	Completed
Sub total		**938,053.00**	
TNMA	Purchase of Toyota Hilux pick-up	35,440.00	Allocated to MCD
	Renovation of Bungalow No. 1	3,144.00	Completed
	Contingencies	472,125.00	
Sub total		**510,709.00**	
PHDA	Production of cadastral and topographic map for the construction of Assembly complex and bungalows	46,896.00	For 600 acres of land for Administration block and residential facilities
	Construction of Staff bungalows	2,020,168.00	On-going
Sub total		**2,067,064.00**	
Grand total		**3,515,826.00**	

Source: GAS extracts from Projects Implementation Files

49. Our review of OMA's 2010 community appraisals report revealed that, out of 132 needs presented by its communities, 69 (52.27%) related to access to health facilities, potable water, improved sanitation and youth employment, which had not been addressed by the Assembly at the time of the audit. OMA rather spent GH¢0.65 million out of MDF of GH¢0.76 million i.e. 86% on the purchase of vehicles, an abandoned bridge (at Kwabrafaso) and contingencies. Contingency payments of GH¢0.58 million, being 89% of the total expenditure of GH¢0.65 million, included consultancy fee for construction, special imprest to finance Ghana @ 50 activities, bank charges, training of assembly members, payment of assembly members' monthly allowances and procurement of food for school feeding programme. The amount could have been used to revive the two water bodies as planned and to construct some boreholes at an average cost of GH¢0.006 million per borehole. This would have assisted OMA to meet its objective of providing access to potable water for communities.

50. The DCE of PHDA on Tuesday, 30 March 2010, disclosed in his Sessional address that "many communities within PHDA are still facing problems with reliable source of good drinking water, thus, compelling them to depend on unhygienic sources of water for consumption and other domestic uses". However, management of PHDA used its MDF for the construction of Administration complex, bungalows for DCE, DCD and staff. The projects which were estimated to cost GH¢2.0 million had already started at the time of the audit in October 2010. This amount could have been used to finance projects to mitigate the harmful effects of mining listed in their Plan of Action as shown in Table 3.

51. Our review of the monthly outpatient morbidity returns of Tarkwa Government Hospital (January to August 2010) and MTDP (2006 to 2009) also showed that 124,565 (41%) of TNMA's estimated population of 302,330 suffered from water, air, skin and other diseases. The Environment, Health and Sanitation Unit of the Assembly confirmed that these diseases resulted from mining activities in the area.

52. However management of TNMA used MDF to purchase a Toyota Hilux, renovate a bungalow and pay contingencies totalling GH¢0.51 million. TNMA however, had planned to implement five projects that will mitigate the effects of mining at a total cost of GH¢0.28 million as shown in Table 3. Had the Assembly used the amount for the five projects, it would have implemented all of them and even made savings.

53. Interviews with officials of the MMDAs revealed that, they consider MDF accruing to them as IGF and therefore used the money without recourse for the objective of the fund. (See Table 4 for projects funded with MDF which do not serve the purpose of the Fund). Financial records reviewed also confirmed that the Assemblies do not keep separate accounts for IGF and MDF. In addition to this, the team found out that the Administrative Fiat that established MDF did not make provision for an oversight body to ensure the judicious use of MDF.

Conclusion

54. MMDAs give little attention to mitigating the effects of mining in their communities and rather used MDF to fund projects other than those that mitigate the harmful effects of mining. This has led to increasing deplorable health, water and air pollution and land degradation conditions in these areas. The absence of a separate account for MDF and IGF is a recipe for abuse of the MDF.

Recommendation

55. We recommend that OASL Administrator of the MDF disbursed to the MMDAs, should:

i. draw guidelines on the use of the fund for MMDAs
ii. monitor and evaluate plan of action presented by MMDAs on the use of the fund, and
iii. compel MMDAs to keep separate accounts for MDF and the Assembly's Internally Generated Funds.

Auditee's Response

Prestea Huni-Valley District Assembly

56. Management provided the following projects initiated in furtherance of its mitigation strategies:

- **Construction of Fish Pond**
    - Instead of constructing the fish pond the Assembly upon the recommendation of the Regional Co-ordinating Council and the District Director of Agriculture used the said budget of GH¢10,000 to support the production of fingerlings to serve as a source for the supply of fingerlings to other fish farmers.

- **100 Farmers in Grasscutter, Snail and Piggery skills**
    - Management of the Assembly only facilitates the implementation process by identifying the prospective beneficiaries through the National Youth Employment Programme (NYEP).

- **Train 200 Youth in Employable Skills**
    - The Assembly has on several occasions assisted the NYEP financially to undertake such programmes.

- **Support Sustainable Land Management**
    - The Assembly cannot undertake any meaningful sustainable land management programme without the assistance of the mining companies.
- **Slaughter House**
    - The Assembly has completed and handed over a slaughter house that was commenced in 1999 with Funds from DACF/MDF at a cost of GH¢75,740.00 to the Prestea Community since October 2010.

Tarkwa Municipal Assembly

57. Management noted to comply with recommendations.

Obuasi Municipal Assembly

58. We did not receive any response from the Assembly.

OASL

59. A draft guideline on the Utilisation of Mineral Royalties by MMDAs is under preparation by a team led by Minerals' Commission.

Appendix A

List of interviewees

The audit team interviewed the following persons:

i. Chief Director, Ministry of Lands and Forestry
ii. Chief Director, Ministry of Local Government and Rural Development
iii. Chief Executive, Minerals Commission
iv. Administrator of the Office of Stool Lands
v. Management of MMDAs
    - Chief Executives
    - Municipal/District Co-ordinating Directors and their Assistants;
    - Municipal/District Finance Officers
    - Municipal/District Engineers
    - Municipal/District Budget Officers
    - Municipal/District Planning Officers

This was to enable the audit team obtain enough information on the administration and utilisation of MDF.

vi. Environmental Health Officers to obtain data on prevalent diseases in their jurisdiction;

vii. Selected Assembly Members, Community Members and Opinion Leaders to corroborate information obtained from management of the Assemblies.

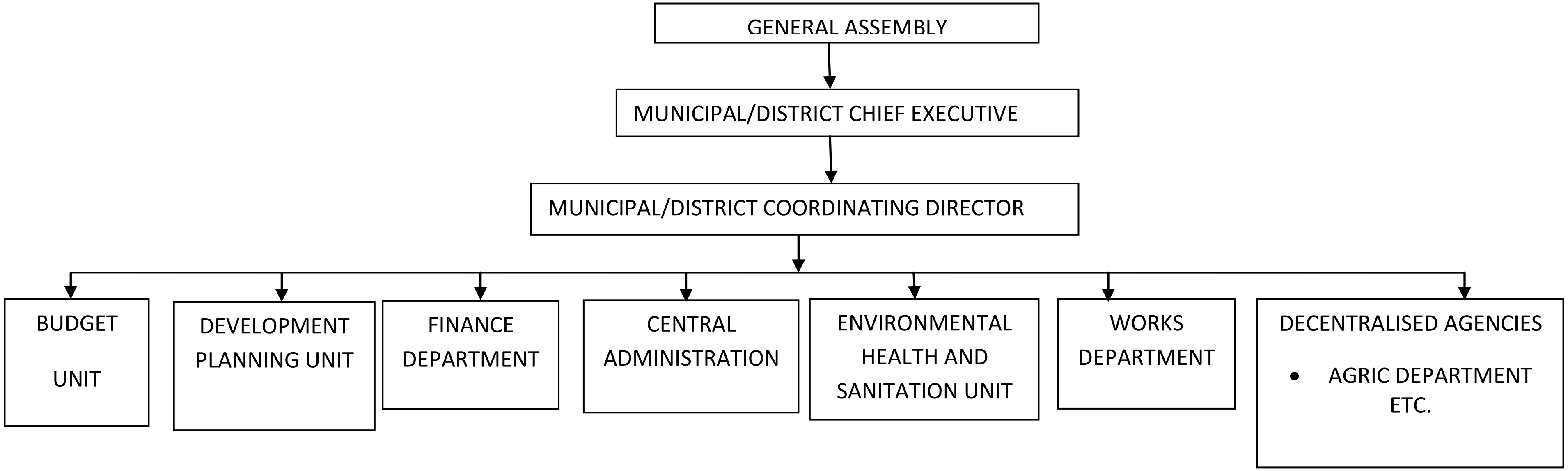
Appendix B

Documents Reviewed and information obtained

No	Document Reviewed	Information Obtained
1.	OASL Annual Report (2004 - 2009)	Releases of MDF for 2004 – 2009
2.	OASL Act 1994, Act 481 (Section 8, subsection 1a,b & c)	Apportionment of MDF to beneficiaries
3.	Local Government Act 1993, Act 462	Legal Mandate and functions of Assemblies
4.	Financial Administration Regulations (FAR 2004) L.I. 1802	Regulations for the management of Public Funds
5.	Extracts of Historical Background of MDF from Minerals Commission	History of MDF
6.	Medium Term Development Plans of MMDAs	Strategies, for mitigating the harmful effects of mining
7.	Action Plans	Projects, Programmes and Activities (PPAs) to be implemented to mitigate harmful effects of mining
8.	Progress Reports on PPAs	Implementation status of PPAs
9.	Community Appraisal Reports	Community inputs in developing MTDP (*Available only in OMA*)
10.	Financial Statements	Receipts and expenditure of MDF
11.	Correspondence between, Assemblies, Mining Companies and Communities	Problems of communities hosting mining companies that have been communicated to Assemblies and Mining companies
12.	Monthly Out-patient morbidity returns	Prevalence of diseases in the mining communities (*Only made available by TNMA*)

Appendix C

Organisational structure of MMDAs



Appendix D

Key players and their activities

	Key Players	Responsibilities
	Administrators	
1.	Mining Companies	• Pay royalties to Internal Revenue Authority
2.	Ghana Revenue Authority (GRA)	• Collect royalties from mining companies, • Compute 20% of royalties as MDF and • Pay to Consolidated Fund
3.	Ministry of Finance & Economic Planning (MOFEP)	• Retains 10% of royalties for supporting other mining sector institutions and projects and pays 10% to OASL
	Beneficiaries	
4.	Office of the Administrator of Stool Lands	• Retains 10% of MDF it receives for administrative purposes and disburses the remaining to beneficiaries
5.	Metropolitan, Municipal & District Assemblies	• Receives 55% of MDF from OASL for development projects
6.	Traditional Authorities/Stools	• Receives 45% of MDF from OASL for maintenance of the status of stools
7.	Mining sector institutions	• Receives on request budgetary support from MOFEP/MLMF for research and mineral related projects

Appendix E

Managements' responses

? APPENDIX 'D'

PRESTEA-HUNI VALLEY DISTRICT ASSEMBLY

REPUBLIC OF GHANA

My Ref. No. PHDA/ADMIN/AUD/137

Your Ref. No. ....

P.O.Box 26
Bogoso - Ghana

10th May, 2012

ASOMOWEE NE NKABOM

AUDIT RESPONSE

RE: DRAFT PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL ON UTILISATION OF MINERAL DEVELOPMENT FUND (MDF) BY METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES (MMDAs)

We refer to your Audit Report No. PDA/PA/REP/13/4 dated April 4, 2012 dealing with the above and wish to submit herewith, for your attention the District Assembly's response to the report.

Thank you.

for: DISTRICT CHIEF EXECUTIVE
(YAW ADU ASAMOAH)
DIST. CO-ORDINATING DIRECTOR

THE AUDITOR – GENERAL
P. O. BOX M96
ACCRA

cc: The Hon. Presiding Member
Prestea-Huni Valley District Assembly
Bogoso

AUDIT RESPONSE

RE: DRAFT PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL ON UTILIZATION OF MINERAL DEVELOPMENT FUND (MDF) BY METROPOLITANT, MUNICIPAL, AND DISTRICT ASSEMBLIES (MMDAs)

1. **Item 3.2 MMDAs did not carry out studies to identify the harmful effects.**

We have taken note of your recommendations on the above and would make sure to expand the usual Needs Assessment we undertake to include identification of harmful effects of mining in the communities affected by mining operations.

However, we have to explain that to ensure balanced and holistic development of the district the Assembly applies part of the MDF on projects of general interest and benefit, and also on development of non- mining communities just as Funds other than MDF are also used on projects in mining communities.

For instance, from the District Assemblies Common Fund, 19 No. boreholes and 5No. hand dug wells, have been rehabilitated in various communities in the District including construction of an over-head tank at Bogoso Health Centre at a cost of GH₵160,398.26.

The Assembly under, the Sustainable Rural Water and Sanitation Programme has undertaken Geophysical studies for the construction of a number of boreholes in various communities in the District, and two of such boreholes will be drilled at Bremang near Darmang this year.

2. **Item 3.3 MDF is used to fund projects other than those to mitigate the harmful effects of mining.**

As explained above in our response to your observation in item 3.2, all funds coming to the Assembly have to be used in such a way that there is balanced and holistic development of the district. To this end part of the MDF is applied on projects of general interest and benefit, just as other Funds other than MDF are also used to provide projects for mining communities.

Update on the projects mentioned under item 3.3 of your report

1. Construction of Fish Ponds:

The Assembly, upon the recommendation of the Regional Co-ordinating Council and the District Director of Agriculture used the said budget of GH₵10,000.00 to support the production of Fingerlings by one Mr. Omar Bature of Prestea that would serve as a source for the supply of fingerlings to other fish farmers.

1

2. 100 Farmers in Grass cutter, Snail and Piggery skills:

This programme is implemented by the mining companies. The Assembly only facilitates the implementation process by identifying the prospective beneficiaries through the National Youth Employment Programme.

3. Train 200 Youth in Employable Skills:

The Assembly on several occasions has assisted the National Youth employment Programme financially, to undertake such programmes. For instance during the period Rice Farmers Co-operative was assisted with GH₵2,400.00.

4. Support Sustainable Land Management:

The Assembly cannot single handedly undertake any meaningful sustainable land management Programme, therefore this is done in conjunction with the mining companies.

In addition to the above the Assembly has completed and handed over a slaughter house that was commenced in 1999 with Funds from the District Assembly Common Fund and Mineral Development Fund at a cost of GH₵75,740.00. The Facility has been handed over to the Prestea Community for use since October 2010.

APPENDIX 'E'

ARKWA - NSUAEM MUNICIPAL ASSEMBLY

P. O. Box 1
Tarkwa - Ghana
Tel.: 0362 20526 / 20209 / 20514

My Ref. No.....TNMA/15/5..............

Your Ref. No.....................................

FREEDOM AND JUSTICE

REPUBLIC OF GHANA

19TH JULY *20*12

RE: DRAFT PERFORMANCE AUDIT REPORT OF THE AUDITOR-GENERAL ON UTILISATION OF MINERAL DEVELOPMENT FUND (MDF) BY METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES (MMDAs)

I write to acknowledge receipt of your Report no. PAD/PA/REP/13/4 on the above mentioned subject matter and to comment as follows:

The cost of renovation of Bungalow no. 1 and purchase of Toyota Hilux pick-up as given in table 4 of page 15 were;3144 Ghana Cedis and 35,440 Ghana Cedis respectively. This gives a grand total of 38,544 Ghana Cedis. However, on page 17, paragraph 55, the total cost of the two projects was given as 700,000 Ghana Cedis. We would be grateful if the correction could be effected.

Besides the foregoing, the report is largely a fair reflection of discussions held between this Assembly and the team of auditors.

Thanks for your cooperation.

for: MUNICIPAL CHIEF EXECUTIVE
(KIZITO BALLANS)
MUNICIPAL CO-ORDINATING DIRECTOR

THE AUDITOR GENERAL
GHANA AUDIT SERVICE
ACCRA

ATTN:
MONALISA LOTSU

APPENDIX 'F'

reply the number of this letter be quoted

OFFICE OF THE ADMINISTRATOR OF STOOL LANDS

(MINISTRY OF LANDS & NATURAL RESOURCES)

Telephone Nos. 674157/ 674158/ 674159/ 674160
Fax No. (233) 21 676125/ 674157
Email: stoollands@mlf-gh.com / stoollands@gmail.com

My Ref. No. OASL/ADMIN./36 Vol.4

Your Ref No ....

P.O. BOX CT. 3076
CANTONMENTS
ACCRA

6TH AUGUST, 2012

1. SUBMISSION OF COMMENTS ON DRAFT PERFORMANCE AUDIT REPORT
2. SUBMISSION OF ORIGINAL DRAFT OF THE PERFORMANCE AUDIT REPORT

Reference is made to your letter No. **PAD/PA/REP/13/7** dated **4th April 2012** on the above subjects and hereby forward –

1. **Our comments on the Draft Performance Audit report**
2. **The original copy of the Draft Performance Audit Report**
   for your information and necessary action.

Thank you.

CHRISTIE E. BOBOBEE (MRS.)
ADMINISTRATOR OF STOOL LANDS

THE AUDITOR-GENERAL
AUDIT SERVICE
P. O. BOX M96
ACCRA

Fran/od

Comments on the Draft Performance Audit Report of the Auditor General on Utilization of Mineral Development Fund (MDF) by Metropolitan, Municipal and District Assemblies

1. Page 10, point 2.6 - **Key players and their activities**

   Point No. 24: "The key players in the disbursing and utilization of MDF are the Office of the Administrator of Stool Lands (OASL) and Beneficiary MMDA's".

   The sentence should read:

   "The key players in the disbursement of Mineral Royalty and utilization of the Minerals Development Fund (MDF) are the Office of the Administrator of Stool Lands (OASL), the Minerals Commission, beneficiary MMDA's, beneficiary Stools and Traditional Councils".

2. **Proposal for development of Guidelines on the Utilization of MDF (i.e. Mineral Royalty)**

   It must be noted that, there is in place a draft guidelines on the Utilization of Mineral Royalties by Metropolitan, Municipal and District (MMDA's) preparation of which is being spearheaded by the Minerals Commission. The preparation of the guidelines is currently in its final stage. It is recommended that, these guidelines be expanded to encompass **ALL** revenue accruing to MMDA's from stool lands (i.e. ground rents, timber royalty etc.) This will ensure that, revenues mobilized by the OASL from Stool Lands and ceded to MMDA's are applied to projects in the best interest of the people.

3. **Capacity of Assemblies**

   The need to strengthen the capacity of MMDA's cannot be overemphasized. Indeed, there is need to strengthen the capacity of the Assemblies (Metropolitan, Municipal and District Chief Executives, Coordinators, Planning officers, Assembly men/women, Unit Committee Members, Presiding members etc.) in their ability to undertake comprehensive needs assessment. As rightfully captured in the report at page 11, point no. 30 "*assessments of needs, left to communities tend to be community demands*". A lot therefore depends on the orientation and level of awareness of the decision making body at the various assemblies.

The MMDA's should be in the position to educate and inform communities on the need to undertake priority projects and programmes (not necessarily community-demanded activities) such as projects to mitigate some of the harmful effects of mining and thereby allocate resources for them. Chances are that, communities will demand physical developmental projects as in schools and hospitals as against land reclamation or re-a forestation schemes.

The Ministry of Local Government and Rural Development has a role to play in this regard.

Mission Statement

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Printed by The Advent Press, Tel: + 233 (0) 302 781044/777861
Email: advent_press@yahoo.com