GENERAL REPORT

TRAINING WORKSHOP ON RISK-BASED AUDITING IN THE MINING SECTOR USING COMPUTER ASSISTED AUDIT TECHNIQUES (CAAT)

9-13 MAY 2022

Supported by :

INTRODUCTION

As part of the technical capacity building of tax administrations of member countries in areas of common interest as provided for in its 2022 – 2024 strategic plan, the West African Tax Administrations Forum (WATAF), in collaboration with ECOWAS Cooperation / GIZ, organised in accordance with its operational plan 2022, a training workshop which took place at the ONOMO Hotel in Lomé, Togo, from 09 to 13 May 2022.

The theme of the training workshop was: "**Risk-Based Tax Auditing in the Mining Sector Using Computer-Assisted Auditing Techniques**".

Facilitated by renowned experts chosen by WATAF and the ECOWAS/GIZ Cooperation, from Ghana Revenue Authority (GRA) and from international tax organisations such as: International Bureau of Fiscal Documentation (IBFD), Tax Inspectors Without Boarders (TIWB), Organisation for Economic Cooperation and Development (OECD), United Nations Development Programme (UNDP) and Intergovernmental Forum on Mining, Minerals, Metals & Sustainable Development (IGF), all made presentations on various topics as relates to extractive industry taxation.

FACILITATORS AT THE TRAINING:

S/N	NAME	ORGANISATION	METHOD OF PARTICIPATION
1	Tomas Balco	OECD	In-person
2	Daniel Appiah	Ghana Revenue	In-person
3	Louis Nouel	IBFD	In-person
4	Ciara MacKay	TIWB	Online
5	Victor Scattolon	OECD	Online
6	Thomas Lassourd	IGF	Online
7	Alexandra Readhead	IGF	Online
8	Paula Carneiro	OECD	Online
9	Camille Tirand	OECD	Online
10	Nicholas Dluzniak	UNDP	Online
11	Dr Amna Khalifa	TIWB	Online

The training brought together staff in charge of tax auditing of mining companies in ECOWAS countries, resource persons as well as staff of the organising institutions. There were a total of 80 attendees, 65 of whom were tax officials from 15 ECOWAS member states.

This initiative is justified by the fact that, according to estimates, sub-Saharan Africa has 30% of the world's mineral reserves. According to the International Monetary Fund (IMF), despite the level of private investment in this sector, it is observed that multinational companies proceed to tax avoidance and thus pay less tax. The complexity of the mining sector as well as the difficulty of interpreting and applying the tax laws contribute to this state of affairs. Tax audit of the mining sector and the use of new technologies in connection with auditing are essential in this area, hence the need to improve the quality of service provided by auditors.

The overall objective of the training was to build the capacity of participants in tax auditing of the mining sector on the one hand and the integration of computer-assisted audit techniques on the other.

Specifically, this training should enable participants to:

- to carry out effective tax audits in the mining industries sector;
- to assimilate the various computer-assisted audit techniques (CAAT);
- to benefit from the experience of trainers from the public and private sectors.

The training workshop took place in three stages:

- the opening remarks;
- the progress of the work itself;
- the closing remarks.

I. OPENING CEREMONY

The opening ceremony started at 9:30 am with remarks from four speakers as follows:

- introductory remarks from the Executive Secretary of WATAF;
- welcome address by the Commissioner of Customs and Indirect Taxes (CDDI), Acting Tax Commissioner of the Togolese Revenue Office (OTR);
- opening remarks by the Director of Customs and Internal Revenue of the Economic Community of West African States (ECOWAS);
- and opening remarks by the Minister of Economy and Finance, represented by the Chief Director of his Ministry.

❖ Introductory remarks by the Executive Secretary of WATAF,

After welcoming the participants and thanking the Togolese authorities and the OTR for facilitating the organisation of this workshop in Lomé, the Executive Secretary of WATAF, Mr. Babatunde OLADAPO, recalled the background to the training and the challenges faced by tax administrations in collecting taxes in the mining sector.

He emphasized that the objective of the training session is aimed at strengthening the capacity of tax inspectors working in the mining sector in order to enable ECOWAS tax administrations to strengthen the audit of mining companies, with a view to improving revenue collection.

Before closing his address, the Executive Secretary of WATAF urged participants to make the most of the training session in order to help address the major challenges facing their tax administrations.

The introductory remarks by the WATAF Executive Secretary were followed by the welcome address of the Commissioner of Customs and Excise, Acting Tax Commissioner of the OTR.

- **Welcome address by the Commissioner of Customs and Excise, Acting Tax Commissioner of the OTR**

At the beginning of his speech, the Commissioner of Taxes, **Mr. Kwawo Atta Krakra ESSIEN**, in turn, welcomed the participants to Togo.

He indicated that the mining sector represents a niche of very important tax revenues and as such, it should be a capital source of financing for the development of the States that have it, if it is properly organised and managed.

According to Mr. ESSIEN, the complexity of the mining sector generally leads to its concession to multinational companies by States whose tax administrations are satisfied with taxation based on income declared by the operators.

He therefore welcomed the organisation of this training on computer-assisted auditing techniques (CAAT) which will provide participants and, through them, their respective tax administrations, with the skills, techniques and tools necessary to electronically sort, structure and analyse the financial and accounting data of companies in the mining sector.

Finally, he invited the participants to show seriousness and commitment in order to contribute effectively to a better tax management of the mining sector in their respective countries.

The welcome address by the Commissioner of Taxes was followed by the opening remarks of the ECOWAS Director of Customs and Domestic Taxes.

- **Introductory remarks by the ECOWAS Director of Customs and Domestic Taxes**

The Director of ECOWAS Customs and Domestic Taxes, Mr. Salifou TIEMTORE, expressed his warm thanks to the different partners who contributed to organising the workshop, after having welcomed the participants.

He noted that the training is part of the ECOWAS tax transition programme and aims at providing technical assistance to tax administrations in tax auditing in the mining sector where the need for tax revenue collection is even more pressing.

He reaffirmed the readiness of the ECOWAS Commission to continue to support Member States in order to enable them to overcome their major challenges in terms of taxation of the activities in this sector which generates more than a quarter of the tax revenues of some tax authorities.

Before ending his speech, he invited the participants to make efforts to share the knowledge acquired with their colleagues as soon as they return to countries.

The session on opening remarks ended with the opening address from the Representative of the Minister of Economy and Finance (MEF), delivered by the Chief Director of the Ministry.

- **Opening address by the Chief Director of the Ministry of Economy and Finance**

In his speech, **Mr. Kossi TOFIO,** the Chief Director of the Ministry of Economy and Finance stated once again that the mining sector is one of the largest providers of financial resources of the State, it remains one of the sectors whose organisation and operation are so complex that it escapes the control of the common expert auditors, causing huge tax evasions.

This workshop is timely, he said, to enhance the technical and operational capacities of participants to enable them to better understand the field. It is part of the reforms already underway to enable States to continue self-financing their development.

He invited the participants to take an active part in the activities by sharing their knowledge in the field of tax audit and monitoring.

Before declaring the training seminar open, he reiterated his best wishes to the participants for full success in the activities and wished them a pleasant stay in Togo.

II. TECHNICAL SESSION

DAY 1: 09TH MAY, 2022

PRESENTATION 1:
OVERVIEW OF BEPS RISKS IN THE MINING SECTOR: DISCUSSION OF BEPS RISKS ALONG THE MINING VALUE CHAIN

In this module, Mr. Tomas Balco, Senior Advisor in the BEPS Capacity Building Team at the OECD, first presented an overview of mining operations to allow participants to have a better understanding of the organisation and functioning of the industry. He recalled the typical stages of the mining value chain and detailed the activities and processes of each stage, including the functions, assets and risks borne by the mining companies.

Mr. Balco then highlighted BEPS risks along the mining value chain. At each stage of the value chain (Exploration → Development → Production → Transportation → Refining → Trading, Marketing and Sales) he specified the possible risks.

1. **Exploration activities**

The question here is whether taxes should be levied on the income of the outsourcing companies and whether the legislation allows for the collection of these types of taxes. If national legislation does not include these provisions, care should be taken to introduce them.

Another question is how to tax the equipment sent into the country for their activities.

In addition, the trainer advised that companies obtain the necessary scientific study permits before starting their activities, which will also be a source of income for the country.

He also noted that there are some companies that are limited to the exploration phase of the value chain. There is a great risk if this is the case because the activity takes place upstream. If there is no good monitoring of the companies, the collection of tax revenues escapes the administration.

Mr. Balco then presented a graph on the number of discoveries made per type of mining company. It emerged that start-ups account for 70% of all discoveries and 51% of the value. They then sell the exploration license to a large extractive company, which raises the issue of capital gains tax.

Participants raised the issue of the stability clause and how to tax companies outside the country of extraction. Some countries include in their contract or legislation a time limit for the stability clause.

He also recommends that, in the exploration phase, an assessment be made to see if the activities will continue over time or if they will stop along the way before a decision is made to provide facilities and to what degree. Usually, a feasibility study is part of the appraisal phase. This study looks for proven or likely reserves and leads to a final investment decision (FID).

Finally, some of the likely risks in the exploration phase are overvaluation of expenses, profit transfer, increased deductibility of deductions, etc.

On each point, there were exchanges and sharing of experiences between countries.

2. Development activities

The trainer showed the audience a picture of the different equipment involved in the mineral extraction process.

The risks of the development phase were also exposed.

3. Production

The trainer indicated that it is important for governments to assess the quality of minerals, otherwise multinational enterprises (MNEs) may undervalue the quality in order to pay less taxes.

MNEs are exposed to various risks during production. Some risks are operational (e.g., staff safety) while others relate to financial performance (e.g., changes in the revenue/cost ratio). Financial risks can be managed or mitigated through concerted operational strategies within the MNE ("natural hedging") and derivative financial instruments, such as commodity hedging or currency swaps.
The tax administration must be able to monitor the existence or otherwise of these risks so that MNEs do not use them as arguments to avoid paying the taxes actually due.

Participants in turn listed during the experience sharing as risks:

- Increase in expenses
- Reduction of income
- Transfer pricing: cost overrun
- Non-compliance with the legal provisions in force...

4. Transportation

Mr. BALCO explained that MNEs may hold significant assets in the Transport mode: these MNEs may therefore produce higher invoices in order to reduce the taxes payable.

The tax authorities must be careful and check all the aspects.

5. Mineral processing

The processing activity consists of increasing the content (value) of the mineral product and removing the waste or harmful substances contained in the product.

The trainer used the example of gold mining to explain the aspects on which the administration must intensify control. He noted that it is very important for the tax authorities to have a good understanding of the treatment process in order to be able to deduct the real costs of the extracted ore. It is also necessary to find out about the current world costs of minerals, for example.

Also, according to him, there are some companies that sell the raw ore to other companies that do the refining. The trap at this level is in the determination of the processing costs, determination of the real revenues that the ores will generate, real volume sold...

6. Sale of minerals

Mr. BALCO recalled the commercial activities which are essentially, the regular processing of orders and invoices, communication with customers and customer management, market research and analysis of competition, development and implementation of marketing strategy and pricing policy, sorting, packaging and organisation of shipping and transportation of finished products.

The tax administration must master all this process, have reliable and updated information in order to maximize the collection of taxes to be applied on the marketing activity.
The centralisation of sales functions within delocalised "marketing entities" serving different entities of a multinational group is a common practice.

Mr. Luis Nouel, presented collaboratively with Mr. Balco, in turn recalled the process of the mining chain with the risks associated with each step. This trainer insisted on the urgent need for States to have an adequate legislative framework in order to control the financing system of mining companies, especially in the exploration phase. He emphasized that, in principle, no company should receive financing at the mineral exploration stage.

He concluded his presentation by inviting tax auditors to demonstrate a functional analysis of each entity involved in the value creation process as well as a good analysis at each stage of the chain.

Presentation 2:
LEGAL FRAMEWORK AND TAXATION OF THE MINING SECTOR - INTERNATIONAL TAXATION
Luis Nouel, IBFD Amsterdam

Mr. Nouel began his presentation with tax treaties, which have as their main objective the prevention of double taxation and tax evasion, generally through the limitation of taxation in a contracting state and with the consequent loss of tax revenues. Do these treaties have the advantage of attracting foreign direct investment?

Risks:

- **Loss of tax revenue**
  - Taxation of indirect offshore transfers of mining assets;
  - Taxation of mining contractors;
  - Taxation of honoraria for technical and management services;
  - Taxation of Dividends and Interest;
  - Ordinary services: Unless specifically provided for in a treaty, taxation generally depends on the permanent establishment.

The expert emphasized the need to implement minimum standards in national legislation rather than sign unfavorable tax treaties. He also mentioned the problem of subscribing to the multilateral instrument with its advantages and disadvantages.

- **Transfer pricing (TP)**

Its main objective, as explained by the trainer, is to test and adjust the pricing of intra-group transactions according to the arm's length principle.

Transfer pricing avoids mispricings that shift profits to low-tax jurisdictions. An unintended consequence of TPs is that they can allow the transfer of profits.

Mr. Nouel then presented a table on the status of the Treaty and the TPs in West Africa before giving the floor to the participants for a series of questions and answers.

DAY 2: 10/05/2022:

The second day of the training included the following modules

- Discussion of low-tax legislation
- Presentation of the Tax Inspectors Without Borders (TIWB) Programme
- Discussion on attractive insurance for mining companies
- Presentation of the Intergovernmental Forum on Mining, Minerals and Metals (IGF).

The presentation was made by Luis Nouel. In his presentation, the trainer insisted on the urgent need for States to have an adequate legislative framework in order to control the financing system of mining companies, especially in the exploration phase. He stressed that in principle, at the stage of mineral exploration, no company should receive financing, especially since the risk of discovery or not is enormous and no serious financial institution would want to grant loans to a startup without real guarantees.

Therefore, it is important for inspectors to restate the declarations made by these startups regarding the high interest rates of the loans, especially when the financing comes from a company located in a financial center (tax haven). Generally, this system is set up in order to deduct these interest rates from the taxable base and thus avoid taxation in the country of exploration. For the expert, the same applies to interest-free loans or the establishment of guarantee costs, which are additional expenses recorded to avoid taxation. These financings (interest-free loans) should be considered by the tax inspectors as a reconstitution of the equity capital of these companies.

Participants shared some of their countries' experiences in this area, particularly on the issue of interest-free loans.

Presentation 5:
THE "TAX INSPECTOR WITHOUT BORDERS" INITIATIVE by videoconference

The opportunity was then given to the members of the TIWB group of the OECD to present the missions and the results obtained by this tax assistance programme.

For Ms. AMMA, "Tax Inspectors Without Borders" is a joint initiative of the Organization for Economic Cooperation and Development (OECD) and the United Nations Development Programme (UNDP) established in 2015 to help developing countries strengthen their capacity in tax auditing, improving national legislation, risk analysis in the mining and telecommunications sectors, capacity building of tax inspectors, including auditors, and digitisation of tax administrations. The TIWB programmes are part of the international community's efforts to strengthen tax cooperation and support developing countries' efforts to mobilise domestic resources.

As such, the objectives of TIWB are:

- improve the quality and consistency of tax audits;
- improve tax auditing skills on a sustainable basis;
- raise the level of voluntary taxpayer discipline; and
- potentially increase tax revenues.

These objectives are pursued through programmes in several areas and various forms of assistance in several countries.

She also highlighted some of the activities carried out by TIWB in Africa and the results obtained, including

- Improving the skills of experts, especially in the area of auditing;
- Institutional Improvement;
- Raising the level of taxpayer discipline;
- Development of tax procedures and manuals;
- Increased revenue for tax authorities.

She also mentioned the administrative organisation of the IIFS with its Board of Directors and its Secretariat. Before concluding her presentation, Ms. Amna invited the participants to visit the IIFS website (www.tiwb.org) in order to have access to all the information to benefit from its programmes and assistance.

Her presentation was followed by questions and answers and exchanges and testimonies from the participants.

Presentation 6:
RISK DETECTION THROUGH TAX RETURNS AND MARKET KNOWLEDGE
Nicholas Dluzniak, TIWB expert
Tomas Balco, OECD

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1. **The purchase of attractive insurance by extractive companies**

Mr. Luis Nouvel explained that there are extractive companies that through the group effect create insurance companies to which they subscribe just in order to evade income.

He pointed out that most of the time, these insurance companies, which are located in low-tax jurisdictions, have no reliable insurance policies and rely only on fictitious capital.

They are essentially characterised by very high insurance premiums for the underwriting companies and have no risk portfolio.

Finally, he drew the attention of participants to the existence of some online guides which will help master more adequately the mechanisms of functions of these insurance companies.

Presentation 7;
Intergovernmental Forum on Mining, Minerals and Metals (IGF) on the BEPS project

The presentation was given by the group of IGF experts and Mr. Tomas Balco. It focused on two main points, namely, the administration of a questionnaire and a presentation on the specificities of extractive companies, in particular the appropriate mechanisms for taxing extractive companies.

The questionnaire dealt with the degree of knowledge of tax inspectors on mining taxation issues. It was established that most of the inspectors consulted had little knowledge of mining. Consequently, there is a need for training.

Regarding the specificities of the mining industries, the expert, Tomas Balco, reviewed the different instruments for taxing mining activities. In fact, according to him, the discovery of the ore, should automatically result in payment of a premium to the State by the exploration company. The State would then have other means of taxing the resources generated by extractive companies, including the concession model, the direct taxation model (direct taxes) and the fee-based model where the company pays royalties to the State even if it makes a loss. For the expert, the model based on direct taxation of income generated by companies remain the most flexible for companies in that it can allow them to transfer profits to resident countries.

He then invited Ms. Alexandra Readhead to present the mechanisms for controlling the value chain of the extractive industries. In her presentation, she emphasized the need for States to have an adequate legal framework (in terms of contracts and agreements) that allows the State to properly tax the revenues of extractive companies. For her, tax and customs inspectors should then seek to identify and control the risks associated with financial transactions both on the sale of minerals and on the various services rendered between related companies in order to avoid a considerable loss of tax revenue.

This was followed by a presentation by Mr. Nicholas Dluzinak in his capacity as a Tax Inspector Without Borders. Indeed, the Australian expert presented, using case studies, the mechanisms that could be used to monitor the value chain of mining companies, namely risk assessment, processing of financial market information, adequate exploitation of taxpayers' documentation, in order to avoid a transfer of profits between related companies.

The various case studies focused on the tax return, the taxpayer's financial information, the analysis of transfer pricing and country-by-country reporting documents, analysis of the taxpayer's documents, market knowledge, detection of identified risks and evidence.

DAY 3 - 11/05/2022

The third day of the training began with an overview of mining operations and minerals in the ECOWAS region: focus on bauxite, uranium and gold.

Two countries, Ghana and Guinea, were invited to present the tax challenges they face in the mining sector.

Presentation 8:
Ghana's experience
TAXATION OF MINING REVENUES IN GHANA: CHALLENGES IN REVENUE MOBILISATION

The Ghanaian representative structured his presentation around the legal framework, the actors in the mining sector, the fiscal regime and the challenges.

Ghana's main mineral resources are gold, diamond, bauxite and manganese as well as the promotion of granite. Other minerals are also mined on a small scale. Gold accounts for 90% of the mining value and revenues.

- **Legal framework**

Ghana's mining sector is governed by a legal arsenal consisting of the Constitution, various laws and regulations and other instruments on taxation, mining and customs.

- **Actors**

The actors include mining start-ups, exploration companies (difficult to find), individual traditional miners (Galamsey), companies providing mining support services (contract mining, drilling and blasting, assay laboratory, geological services, supply of mining equipment ...).

- **The tax system**

It is similar to other countries because it combines taxes, rents, royalties, charges. Mining companies pay their financial contributions in 4 quarters.

Applicable taxes and fees include:

- Corporate income tax at 35% (32% for those with stability agreements)
- Mineral royalties (generally 5% on the value of the ore earned)
- Personal Income Tax;
- Other withholding taxes
- Value Added Tax (VAT)

- Customs duty
- Annual royalties on mining rights
- Annual ground rent
- Property taxes.

Unlike certain deductions granted to mining operators (land rent and royalties abatements granted at the rate of 20%, reclamation, rehabilitation and closure expenses incurred and paid to an approved rehabilitation fund, expenses incurred during the year for the purpose of mining that meets the general rules of deductibility of the country), Ghana does not allow certain deductions such as research and development expenses, expenses that do not meet the deductibility principle, i.e. expenses that are wholly, exclusively and necessarily incurred, expenses that are not related to mining activities, and penalties for breach of mining contracts.

- **Challenges**

The challenges in mobilising mining revenues concern the government, the mining companies and the tax administration.

<u>Challenges for government</u>

- Granting of overly generous tax incentives. (Mining list), and refunds;
- Perpetual stability clauses (e.g., no withholding tax on transactions paid from foreign accounts);
- Inadequacy of legislation;
- Lack of cross-sectoral collaboration.

<u>Challenges for mining companies</u>

- Transfer pricing error in the area of asset purchases or leasing from related parties;
- sale of products to affiliates;
- use of debt financing;
- negotiated purchases;
- lack of organisation or appropriate structures in small-scale mining.

<u>Challenges for the Ghana Revenue Authority</u>

- lack of adequate human resources to understand the complex business and accounting systems of mining companies;
- lack of training and development of experts, transfer of experts, etc.;
- inadequate resources/inputs - this constraint tends to diminish the capacity for close monitoring
- and auditing of mining companies.

- External challenges - fluctuations in raw material prices (the Internet helps in this regard through the KITCO.COM and LONDON BULLION websites) - Except for bauxite and manganese).

Presentation 9:
Guinea's experience: MINING TAXATION IN GUINEA
- By Dr Sandaly KEITA - Guinea's DGE

Dr. KEITA structured his presentation in two main parts: legal aspects and economic aspects.

On the legal aspects, Dr. KEITA first cited the bases of mining taxation in Guinea, namely

- General Tax Code;
- Mining code;
- Customs Code;
- Basic conventions.

He went on to shed light on the new provisions of the 2013 Mining Code concerning mainly state participation and transparency and the fight against corruption in the mining sector.

Dr. Keita then listed the actors of the mining taxation in Guinea, namely: the Ministry of Mines and Geology, the Ministry of Budget, the General Directorate of Taxes and the General Directorate of Customs, the Ministry of Finance, the National Directorate of the Treasury and Public Accounting and the Central Bank of the Republic of Guinea -BCRG, detailing the role played by each.

Addressing the economic aspects, the speaker shed light on the nature of minerals produced in 2021 and by production company and production and export of bauxite in Guinea.

He emphasized the main tax challenges, namely, the establishment of a system of safeguarding the tax base and the apparent economic pre-eminence over law.

His presentation was followed by questions and answers and exchanges of country experiences with the participants.

Presentation 10:
TAX REGIME APPLICABLE TO THE MINING SECTOR
Tomas Balco

This presentation highlighted the specificities of the taxation of extractive industries. Indeed, in the taxation of extractive activities different models of taxation are possible and various instruments can be used such as income tax, indirect taxation, special commissions and bonus payments, royalty payments, production sharing agreements.

However, in the taxation of extractive industries, one area is very often overlooked but closely related: **the taxation of those providing services to the mining industry**.

Through a graph, the trainer showed the different tax instruments useful to generate public revenues from the extractive industries.

The main reason for applying a special tax regime to this sector stems from the economic rent: the difference between the market price of the mineral resource and the opportunity cost of providing the resource (including the normal return on investment).

The issues are threefold:

- Fluctuating market prices;
- Opportunity costs vary according to elements such as exploration costs, operating and production costs, cost of capital, risk premium;
- Scarcity and limited supply of natural resources.

After reviewing the different taxation models and instruments (legal regulations, contract), the trainer made a comparison between the oil and gas and mining sectors. It was revealed that much less government revenue is generated in the mining industry than in the oil and gas sectors.
He presented the specifics of the four models (royalty model, corporate income tax model, production sharing agreement and market price fluctuation), while highlighting the advantages and disadvantages of each. A 10-year price fluctuation situation for oil, copper and gold was presented.

The formulae for calculating the various costs (exploration costs, operating and production costs, cost of capital) were presented.

The key challenge of finding a balance will be to tax economic rent to a reasonable maximum, while ensuring that the private sector continues to invest.

It will also be necessary to tax the service providers, the small local suppliers, big multinationals, the medium-sized private companies.

In addition, it is also necessary to take into account the issue of foreign or non-resident providers on the aspects of taxable presence, the stability of the companies, determination of the tax base, taxes due, national legislation, special regimes and its abusive or fraudulent uses.

Presentation 11:
AUDIT ACTIVITIES AND AUDIT PLANNING

Expert Thomas Balco presented tax audit strategies based on identified factors such as the specificities of the extractive industries, the value chain, project life cycle, specific practices related to production and processing activities, as well as trading and financing activities. He also mentioned risks specific to the sector, the specificities of the ore considered, the characteristics and considerations relating to prices, the time spent on the audit, the specificity of the taxpayers (small or medium, State as main shareholder, etc.) and the governance system.

A good audit program should therefore take into account:

- the need to master the transactions with the groups and to have a good documentation;
- analysis of the nature of the transactions according to the risks (low to high, local or international companies, etc.);
- risk of loss.

The challenges related to verification are also related to transactions (goods or materials, tangible services, second-hand minerals and equipment, etc.).

According to the expert, special emphasis should be placed on financial transactions. Indeed, all the visible elements are only the tip of an iceberg. National law must address these issues as well as the monitoring of taxpayer behavior.

The tax administration must take into account the Iceberg model through the consideration of each level of its component. This is an OECD approach regarding multinational enterprises to bring about change. Five (5) actions are expected: act, anticipate, design change and transform.

The expert placed particular emphasis on the consideration of several elements of the life cycle of the extractive project in its various stages:

- In the contract negotiation phase (pre-contractual documents, fiscal instruments, information, providers involved, etc.)
- in the exploration phase: the fiscal issues are related to the holders of the exploration and operating rights, mandatory payments, the companies and subcontractors involved, the risk managers, etc. Risk controls may also relate to exploration costs (source of financing, allocation and transfer of costs, increase/overestimation), and the system of exploration financing.
- As regards the infrastructure development phase, the issues at stake in terms of audits are the massive use of equipment and service providers, their amortisation problems and the question of payment of subcontractors;
- for the extraction phase: the verification plan should focus on the importance of quantitative and qualitative controls, the transformation and sales processes, particularly the considerations of the traders in view of price setting, hence the need to master the contours of price setting.
  Market dynamics can also influence the selling price.
  The analysis of the marketing channel should be done internally or outsourced in order to control costs, risks and benefits.
  The constitution of the reserve is an important point and the mechanism used presents risks for the tax authorities. For there is the question of deductibility and the risk of manipulation etc.
- At the decommissioning stage, the audit should focus on the use of the decommissioning reserve and the provision of services (withholding tax and permanent establishment issue).

Presentation 12:
VERIFICATION ACTIVITIES, DEVELOPMENT OF THE VERIFICATION PLAN AND CHOICE OF RESOURCES AND TOOLS

After mentioning the interactions between risk assessment and auditing, Mr. Tomas Balco then presented the components of the audit plan, including the planning stages (preparation, structure and composition of the ethics and information requirements, and the tools to be used).

He noted that sources of information are of paramount importance as well as compliance with reporting requirements. The expert also stated that information sharing is essential in most audits. In this sense, compliance with the requirements in terms of formulating clear requests, and in accordance with the specific procedures laid down for example by tax treaties as well as in the context of exchange of information.

With respect to the effective use of Tax Information Exchange Agreements (TIEAs), in accordance with the templates, there is a need for quality information requests, from the preparation to the sending of the request, as well as notification procedures when necessary.

The trainer went back to the existence of the global forum, which is a framework for exchanges on international tax issues, and mutual administrative assistance in tax matters, which is a means of promoting the exchange of information.

Case studies:

PRESENTATION 13:
COMPUTER-ASSISTED AUDIT TECHNIQUES - CAATs

The presenter gave a brief overview of the process before subjecting the participants to practical exercises to help them better master the subject. This presentation focused on the use of data collected from taxpayers, mining companies, for tax audit purposes.

These data, which are generally very voluminous, contain information relating to the activities of the mining company (Goods, quantities, costs, dates, location, partners, bank details...)

The tax agent must take advantage of the new information and communication technologies (N'TIC) to have certain information at hand before the beginning of the control.

Tools: Various software programmes can be used for data analysis. However, Microsoft Excel (Office 365) is the most accessible and least expensive. But the data must be collected from the taxpayer in CSV format, not Excel.

It is generally advisable to retrieve the data in CSV format because with this tool, the data directly extracted from the server is difficult to manipulate by the taxpayer, which is not the case with Excel.

Discussions focused on the difficulties of obtaining information from the taxpayer and the risks associated with manipulating this information before it is transmitted to the tax agent.

Participants were given hands-on exercises in data collection and processing.

The software in which the practice is done was previously installed on the computers of the participants who also received in advance the data to be used in these practical exercises.

The process of processing data with Office 365 was carried out step by step, following an adapted rhythm allowing all participants to follow the processes.

DAY 4 - 12/05/2022

PRESENTATION 13: COMPUTER-ASSISTED VERIFICATION (CONTINUED)

This day was mainly marked by practical work by the participants. These included:

- The pivot table;
- The Sierreur function;
- The search function x ;
- The power PIVOT function that facilitates data analysis.

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DAY 5 - 13/05/2022

PRESENTATION 13: COMPUTER-ASSISTED VERIFICATION (CONTINUED)

The practical work continued with the study of the Power Query function which allows to convert files on any format in Excel file with creation of automated tables.

Mr. APPIAH then presented the right attitudes to adopt by an auditor when collecting data from taxpayers.

The training seminar ended with a closing ceremony during which remarks were made by four speakers, namely:

- Vote of thanks from the ECOWAS Commissioner of Customs who expressed his satisfaction for the successful holding of this seminar and his thanks to the Togolese authorities and those of the Togolese Revenue Office for all the facilities granted to participants;
- Appreciations of the trainer, Mr. BALCO as regards the seriousness, the assiduity and the active participation of the participants. He expressed the wish that this training could help them in the execution of their mission for a better collection of revenues in the mining sector;
- Presentation of the summary report of the training seminar by Mrs. ALABA Koboyo, Coordinator of the Legal Unit of the OTR. This report traced the chronological course of the five days of work;

- Closing remarks of Mr. Babatunde OLADAPO of WATAF who in turn reiterated WATAF's thanks to all the actors.

- ACQUIRED EXPERTISE

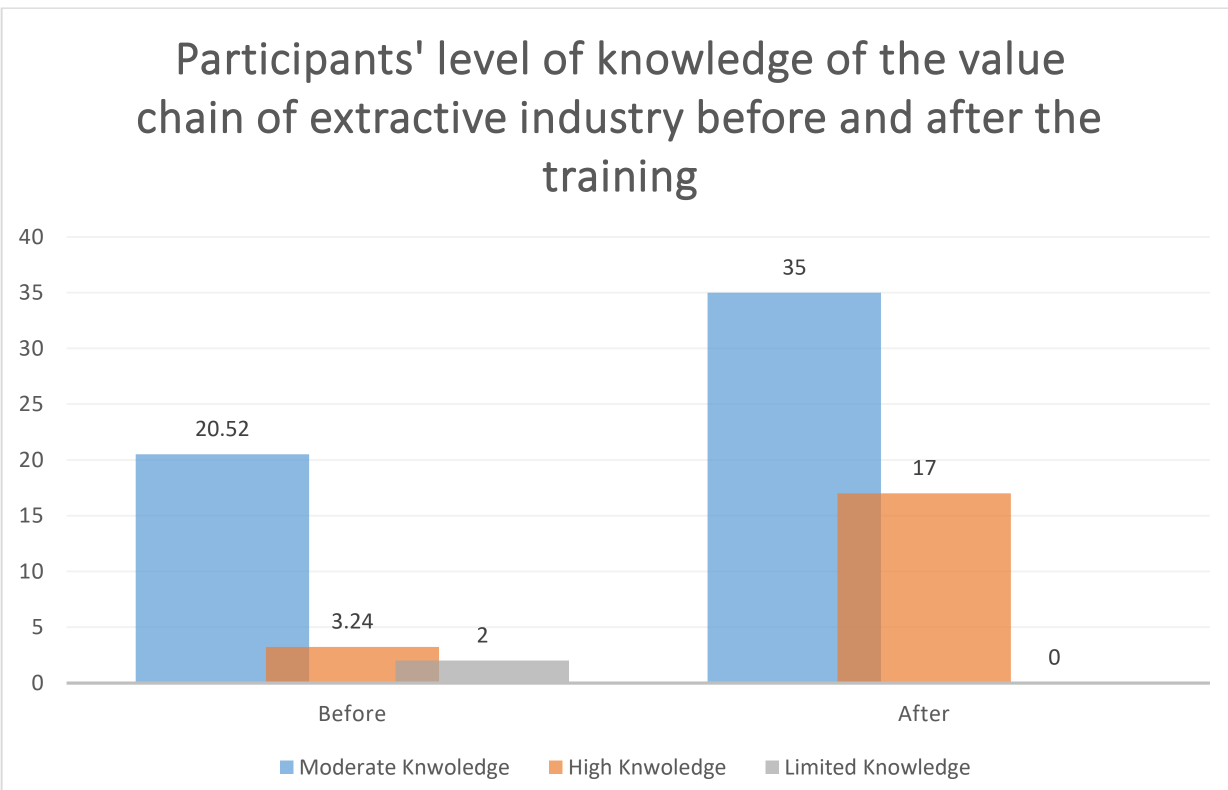
This training allowed tax auditors from the 15 ECOWAS countries to better understand the functioning of the mining industry, to review the issues and risks related to the sector that hinder proper taxation of activities and revenues leading to the loss of revenues in this important sector; and the usefulness of conventions and prudential rules for negotiating conventions.

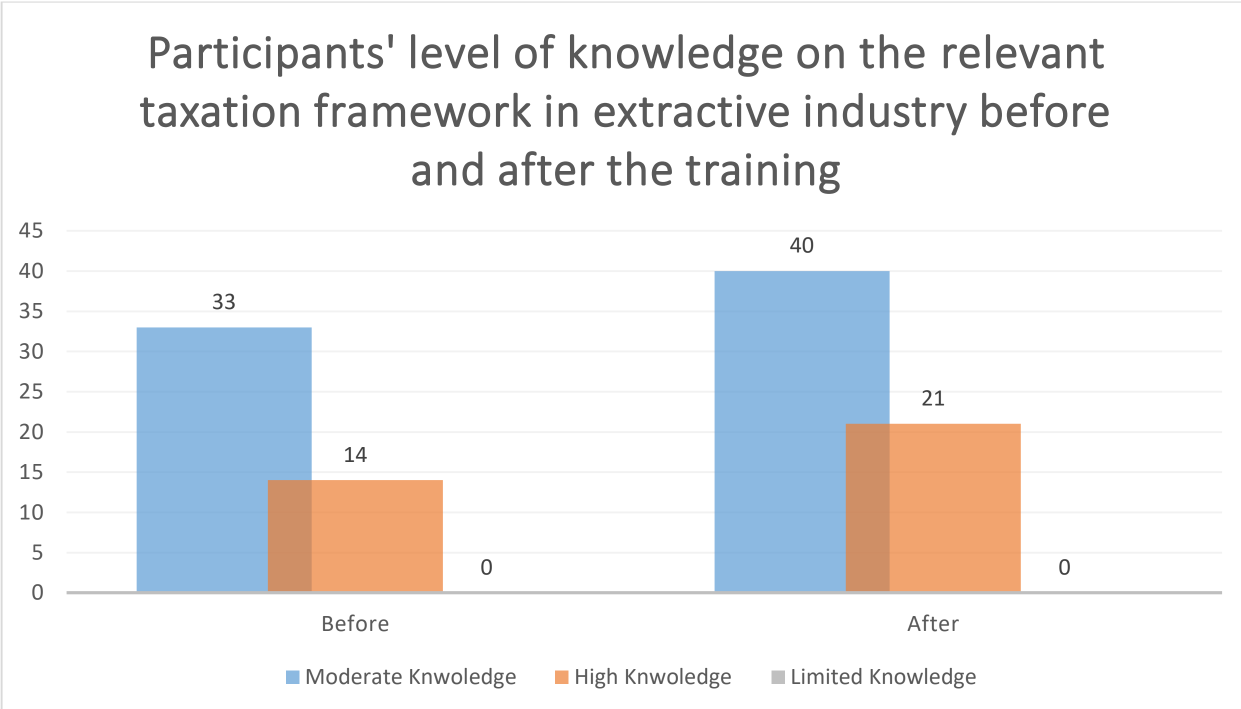
Participants also learned about the use of ACL software for data analysis and processing, tips and potential sources for obtaining analysis data, and techniques for importing and exporting taxpayer data using POWER, PIVOT and SEARCH X.

Finally, this training seminar was a framework for sharing experiences for participants who also built professional relationships in order to share knowledge and information for optimal revenue collection.

- FEEDBACK FROM PARTICIPANTS

An analysis of the pre and post-training evaluation assessments revealed that the major aim of the training was achieved. See the graphic representation below:





All participants are willing to participate in future trainings of this nature, and they suggested that it would be beneficial if WATAF countries were provided with regional guidance for some of the topics covered in the training, such as fiscal framework and taxation of the mining sector.

- RECOMMENDATIONS AND NEXT STEPS

The following recommendations were made to address the tax auditing needs of the mining sector in the Region**:**

- Develop Model rules/Guidance on pricing the key export commodities
- Develop Model rules/Guidance on dealing with challenges of taxing the capital gains from sale of mining licences and related mining assets
- Introduce a set of rules that will prevent Abusive Financial Transactions and Interest Free Loans
- Member States to fully institutionalise Exchange of Information (EoI) unit and sensitise tax auditors of the usefulness of the instrument.
- Develop guidance on preparing the 3-tiered TP Documentation (Local File, Master File and Country-by-Country Report), to boost information collection powers of tax administrations and to track activities of taxpayers.

NB: See here the presentation slides from the training in English, French and Portuguese.