

# NEITI

Nigeria  
Extractive  
Industries  
Transparency  
Initiative



## FINANCIAL, PHYSICAL AND PROCESS AUDIT: AN INDEPENDENT REPORT ASSESSING AND RECONCILING PHYSICAL AND FINANCIAL FLOWS WITHIN NIGERIA'S SOLID MINERALS SECTOR 2014

DECEMBER, 2016

### FULL REPORT



Prepared By



This Report has been prepared at the request of the National Stakeholder Working Group (NSWG) charged with the implementation of the Extractive Industries Transparency Initiative in Nigeria. The views expressed in the report are those of the Independent Reconcilers and in no way reflect the official opinion of the NSWG. This Report has been prepared exclusively for use by the NSWG members and must not be used by other parties, nor for any purposes other than those for which it is intended.



December 23, 2016

The National Stakeholder Working Group of the  
Nigeria Extractive Industries Transparency Initiative  
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No. 1 Zambezi Crescent,  
Maitama, Abuja.

**REPORT ON THE 2014 EITI SOLID MINERALS RECONCILIATION FOR  
NIGERIA**

We have performed the procedures agreed with you, in accordance with our engagement letter dated 22nd August, 2016.

The work was commissioned for the purpose of the Nigeria Extractive Industries Transparency Initiative in compliance with EITI Standards for implementing countries.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this Report, except where stated otherwise.

We report our findings in the accompanying report, including its appendices. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose of informing the National Stakeholder Working Group on the matters set out in the terms of reference and is not addressed to any other party or to be used for any other purpose. This report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity taken as a whole.

Yours faithfully,

Sunny Onekpe  
Managing Partner

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List of Acronyms	
ANAN	Association of National Accountants of Nigeria
ANFO	Ammonium Nitrate Fuel Oil
ASC	Ajaokuta Steel Company
ASM	Artisanal and Small Scale Mining
ASMD	Artisanal and Small Scale Mining Department
BOF	Budget Office of the Federation
BPE	Bureau of Public Enterprises
C of O	Certificate of Occupancy
CAC	Corporate Affairs Commission
CAMA	Companies and Allied Matters Act
CBN	Central Bank of Nigeria
CGT	Capital Gain Tax
CIT	Company Income Tax
CITA	Company Income Tax Act
CU	Cadastre Unit
DFI	Development Finance Institution
DSC	Delta Steel Company
EDT	Education Tax
EIA	Environmental Impact Assessment
EITI	Extractive Industry Transparency Initiative
FCT	Federal Capital Territory
FGN	Federal Government of Nigeria
FIRS	Federal Inland Revenue Service
FME	Federal Ministry of Environment
FMITI	Federal Ministry of Industry, Trade and Investment
FMO	Federal Mines Officer
FMoF	Federal Ministry of Finance
FOB	Free on Board
GDP	Gross Domestic Product
ICAN	Institute of Chartered Accountants of Nigeria
ICT	Information and Communication Technology
IFAC	International Federation of Accountants
ISA	International Standards on Auditing
ISRE	International Standards on Review Engagements
ISRS	International Standards on Related Services
LASEMA	Lagos State Emergency Management Agency
LGA	Local Government Area
MCO	Mining Cadastre Office
MDAs	Ministries, Departments, and Agencies

MID	Mines Inspectorate Department
ML	Mining Lease
MMA	Minerals and Mining Act
MMSD	Mining Minerals and Sustainable Development
MMSD	Ministry of Mines and Steel Development
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
NASS	National Assembly
NBS	National Bureau of Statistics
NC	Not Communicated
NCP	National Council on Privatisation
NCS	Nigeria Customs Service
NEITI	Nigeria Extractive Industries Transparency Initiative
NESREA	National Environmental Standards and Regulations Enforcement Agency
NESS	Nigerian Exports Supervision Scheme
NGSA	Nigeria Geological Survey Agency
NIOMCO	Nigeria Iron Ore and Mining Company
NIPC	Nigerian Investment Promotion Commission
NIWA	National Inland Waterways Authority
NMC	Nigerian Mining Company
NSE	Nigeria Stock Exchange
NSDA	National Steel Development Authority
NSWG	National Stakeholder Working Group
OAGF	Office of the Accountant General of the Federation
PAYE	Pay As You Earn
PIS	Project Implementation Schedule
QCT	Quality Control Team
QL	Quarry Lease
RFP	Request for Proposal
RMAFC	Revenue Mobilization, Allocation and Fiscal Commission
RT	Reporting Template
SBIR	State Board of Internal Revenue
SMDF	Solid Minerals Development Fund
SMMRP	Sustainable Management of Mineral Resources Project
SOE	State Owned Enterprises
SSML	Small Scale Mining Lease
TIN	Tax Identification Number
TOR	Terms of Reference
VAT	Value Added Tax
WHT	Withholding Tax

## 1.0 Introduction

### 1.1 Background

EITI is a global body comprising governments, civil society, and extractive companies, working together to promote transparency and accountability in the use of revenue derived from extractive activities, accruing to countries endowed with natural resources as shown in figure 1.

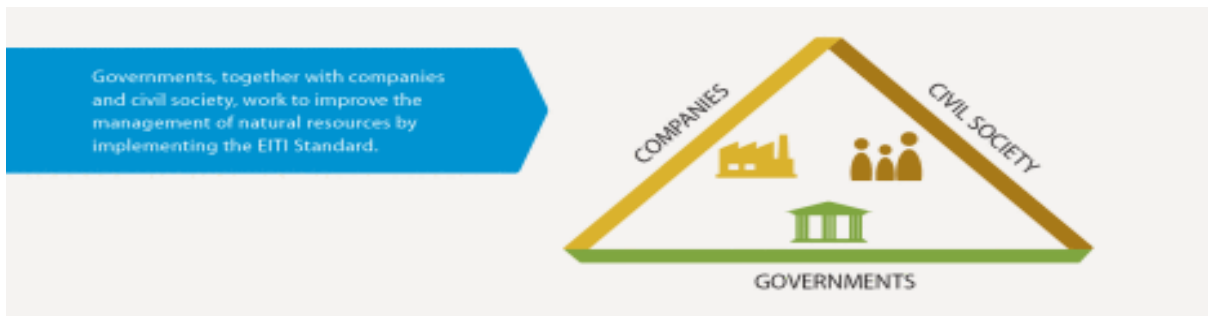


Figure 1: In-country Stakeholder Analysis.

The principles of EITI are based on the belief that prudent use of natural resources contributes to economic growth, sustainable development, and the reduction of poverty in resource-rich countries. EITI helps civil society groups, media and the public at large to systematically review revenue receipts and payments from the extractive industry. This builds trust, reduces risk of conflict, and promotes stability and sustainable economic development in the member countries. As at February 2016, EITI has 51 (fifty-one) implementing countries.

The EITI Standard approved in February 2016 is the fifth version since the EITI Principles were agreed in 2003. Revenue transparency remains a fundamental aspect of the EITI. The EITI standards have been realigned to better reflect the importance of bringing transparency to other aspects of resource governance, such as licensing, beneficial ownership, production, and revenue management.

EITI implementation has two core components:

- **Transparency:** Oil, gas and mining companies disclose their payments to the government, and the government discloses its receipts. The figures are reconciled by an independent Auditor and published in annual EITI Reports alongside contextual information about the extractive sector.
- **Accountability:** Multi-stakeholders' group with representatives from government, companies and civil society is established to oversee the process and communicate the findings of the EITI Report to the public with a view to generating robust debate and to hold government to account.

Nigeria signed up to the EITI in 2003 and the implementation began on 16th February 2004 with the establishment of NEITI and setting up of the NSWG. This was followed with the enactment of NEITI Act of 2007. The primary purpose of the Act is to enhance and institutionalize a system of openness and transparency in the flow of revenue information from the extractive industry.

This helps to promote accountability, transparency, prudent financial management, and probity in public revenue management.

Nigeria has published 4 (four) reports, in line with the EITI Requirements, covering the years 2007 to 2013 as set out in in the table below.

Table 1: NEITI Published Reports 2007 – 2013.

S/N	Year	Reporting Companies No	Total Payments from Companies Entities (USD Millions)	Total Revenue from Government Entities (USD Millions)	Publication Date
1	2013	65	192.98	194.93	Mar-16
2	2012	65	177.58	164.67	Dec-14
3	2011	87	172.69	172.91	Jan-13
4	2010	78	115.19	115	Dec-12
5	2009	78	129.35	129.73	Dec-12
6	2008	78	79.32	80.82	Dec-12
7	2007	78	61.43	65.26	Dec-12

It is important to note that implementing countries are required to submit their first EITI report within 18months of being admitted as an EITI candidate. Thereafter, implementing countries are expected to produce EITI reports on an annual basis. This report on Nigeria solid minerals sector is the fifth in the series covering the period, 1<sup>st</sup> January to 31<sup>st</sup> December, 2014.

**Objectives of the Assignment**

The objectives of the assignment as provided in the TOR are as follows:

- i) Report on the quantities of minerals produced, utilized and exported in a manner, which is insightful, and of such integrity as to be reasonably relied upon by NEITI and to also make recommendations on any issues arising in the course of conducting the work.
- ii) To report on the revenue flows amongst the Extractive Companies in the Solid Minerals sector of the Economy, on transactions made by participants (both public and private) in Nigeria’s Solid Minerals Sector.
- iii) To undertake special verification work on certain classes of transactions.
- iv) To report on balances payable / receivable at the end of the audit period for certain financial flows
- v) To reconcile the physical/financial transactions reported by payers and recipients as appropriate

**Scope of Work**

The scope of work as provided in the TOR issued to us are as follow:

- i) Validate, analyse, and reconcile financial and related information pertaining to all specified revenue flows and such other transactions which may affect such flows amongst and between the Extractive Industry Companies in the solid minerals sector (hereinafter referred as “Company” or “Companies”;
- ii) Ascertain if the payments are in conformity with applicable legislations.
- iii) Ascertain appropriateness of payments made with regards to mineral royalties, taxation on profits and for mineral rights;



- iv) Reconcile the financial transactions reported by payers and recipients, as per the scope set out herein;
- v) Review audited financial statements for consistency between the Companies (where applicable) and Government ;
- vi) Report on balances payable/ receivable at the end of the audit period for financial flows;
- vii) Review the capital investment in order to determine if the amortization and the depreciation declared are correct and have not reduced the amount of taxable profits of the Companies;
- viii) Perform the audit of operational cost in order to assess if the deduction claims were actually incurred and correspond to legitimate operational expenses;
- ix) Analyse the tax deductions claimed by the Companies in the sector for the purpose of identifying improper claims.
- x) Reconcile the data so collected to ascertain if there is any disparity between the government reported templates and aggregated Companies reporting templates.
- xi) Report on illegal mining activities and abandoned mine sites and make recommendations thereof.
- xii) Build upon the analysis, findings and recommendations of the previous audits;
- xiii) Obtain all information on Social Expenditures as mandated by Law
- xiv) The Independent Auditor shall review all existing concessions, current title holders including all the beneficial owners (where applicable), types of titles held and award procedures with a view to make appropriate recommendations.
- xv) Provide recommendations leading to standardized reporting methodologies which enhance industry-wide reporting, sector analysis, and transparency.
- xvi) Provide both on and off the job training to the Secretariat Staff involved in the conduct of the assignment with a view to building capacity and enhancing efficiency of future audits.

### **Deliverables**

The deliverables for the assignment as provided in the TOR issued to us are as follow

- i) Inception Report
- ii) Draft Report
- iii) Final Report

### **Challenges to the Assignment**

The major challenge we encountered while carrying out this assignment was late submission of required data by FIRS and some extractive industry companies.

## 2.0 Reconciliation Approach and Methodology

Our approach was to identify the financial flows in the Nigeria solid minerals industry. These were classified into (a) Solid Mineral financial flows, i.e. flows that are specific to the solid minerals industry and (b) Non-Solid minerals Financial Flows.

We equally determined the tonnage of mined minerals (gem stones, ferrous and non-ferrous metals, energy minerals) and any other relevant minerals produced and exported by the companies in 2014.

Our methodology was to compare what the mining companies disclose as their payments to the government, and what the government disclosed as receipts. In the event of disagreement, we reported the differences. Differences, if material, were subjected to further investigation and reconciliation. We further carried out validation work in order to confirm the correctness and completeness of the amount paid with the underlying records that gave rise to the amount. This was carried out for the key financial flows, namely:

- Royalty,
- Education Tax,
- Company Income Tax (CIT),
- License fees, ground rent, levies and penalties

We analyzed and reconcile financial and related information pertaining to the revenue flows, investment flows, and such other transactions which affected such flows amongst and between the covered entities. We built upon the analysis, findings and recommendations derived from the solid minerals audit previously completed; Updated prior assessments of reporting structures and procedures, as set forth in the final audit report of 2013 to reflect information and findings for 2014. We provided recommendations leading to standardized reporting methodologies which will enhance industry-wide reporting, sector analysis and transparency.

### 2.1 Preliminary Analysis

The preliminary data obtained from NEITI were analysed to determine the following.

- i) Companies operating in the solid minerals sector of the extractive industry during the year under review.
- ii) Appropriateness of the materiality threshold approved by NSWG.
- iii) Extractive companies within the materiality threshold.
- iv) Financial flows in respect of payments and receipts as illustrated in figure 2

Revenue Flows and Disclosure Responsibility					
Extractive Industry		Revenue Flows		Agency	Disclosure Responsibility
Extractive Companies in the Solid Minerals Sector		Value Added Tax (VAT) Corporate Income Tax (CIT)	Education Tax Withholding Tax	FIRS	Ent/Gov
Extractive Companies in the Solid Minerals Sector		Mining title(s) application processing fee Mining title(s) annual service fees Mining title(s) fee for processing of renewal application Penalty fee for late renewal of mining titles (application) Fees for application for enlargement (processing) of mining titles Application for relinquishment of mining fees Application for transfer mining titles fees Application for surrender mining titles fees Application for consolidation mining titles fees Fees for application to endorse additional minerals Fees for application for certified true copy of lost certificate of mining title Fees for application for amendment of documents Search fee/due diligence Fees for cadastral map information, application for certified true copy of other documents other than title documents		MCO	Entities & Government
Extractive Companies in the Solid Minerals Sector		Royalty Permit to deposit tailings Permit to export minerals for commercial purposes Permit to export minerals samples for analysis Permit to possess and purchase minerals Registration of accredited agents for movement of minerals Permit to import explosives Blasting certificates Permit to Mix ANFO Licence to manufacture explosives Permit to erect a magazine Licence to buy explosives Licence to sell explosives Explosives magazine licence		MID	Entities & Government
Extractive Companies in the Solid Minerals Sector		Dividend from Government Investment (Shares)		FMoF	Entities & Government
Extractive Companies in the Solid Minerals Sector		Customs Duties Excise Duties Import Duties	Pre-shipment/Destination Fees Others	NCS	Entities & Government
Extractive Companies in the Solid Minerals Sector		Registration fees for environmental impact analysis		FMoE	Entities & Government
Extractive Companies in the Solid Minerals Sector		Mineral separation services Mineral analysis Consultancy fees		NGSA	Entities & Government
Extractive Companies in the Solid Minerals Sector		Nigerian Export Supervision Scheme (NESS) Fees Artisanal and Small-Scale Mining Department Application for Artisanal and Small-Scale Mining Application for Registration of mineral buying centre per mineral Application for annual renewal of buying centre licence		CBN	Unilateral -Gov
Extractive Companies in the Solid Minerals Sector		Annual surface rents (Grounds Rents) National Inland Water Ways Authority (NIWA) Pay As You Earn (PAYE) Business Premises Withholding Tax		SBIR	Unilateral - State Gov
Extractive Companies in the Solid Minerals Sector		Corporate Social Responsibilities - (Statutory) Corporate Social Responsibilities - (Voluntary) Local Government Council Property Rates (Tenement Rates)		Communities	Unilateral - Company
Extractive Companies in the Solid Minerals Sector		Compensation		Communities/ Land Owners	Unilateral - Company

Figure 2: Revenue flows and disclosure responsibility

## 2.2 Materiality and Data Collection

In compliance with requirement 4.1(a) of the EITI 2016 Standards which requires the NSWG to deliberate and agree on the materiality threshold of revenues to be reconciled, NSWG approved a materiality threshold of three million naira (₦3million) and above on royalty payments for 2014 solid minerals sector audit. The rationale for using royalty as a basis for materiality threshold is that it is the only industry specific financial flow that is tied to actual operations in absence of any defined fiscal regime for the sector (See table 2 and figure 3).

The NSWG approved the 2014 solid minerals sector templates for data collection. The approved data templates were dispatched by NEITI to extractive companies as well as relevant government

agencies/entities for collection of data. NEITI conducted extensive sensitization on the proper handling and population of the templates. The completed templates were returned to NEITI for subsequent transmission to the Independent Reconciler. When we received the completed templates, we carried out desk review, verification and validation of the data provided by the covered entities to their source documents with a view to confirming the completeness, accuracy and validity of the information provided.

Table 2: Analysis of Royalties Paid By Companies in 2014, Based On Threshold

S/N	Threshold NGN	Number of Companies	Amount Paid	% Royalty
1	100M and above	2	507,972,176.45	37.92
2	50M but less than 100M	3	224,936,900.40	16.79
3	10M but less than 50M	18	388,432,131.13	28.99
4	3M but less than 10M	16	96,329,497.37	7.19
5	Less than 3M	459	122,006,470.60	9.11
<b>Total</b>		<b>498</b>	<b>1,339,677,175.95</b>	<b>100.00</b>

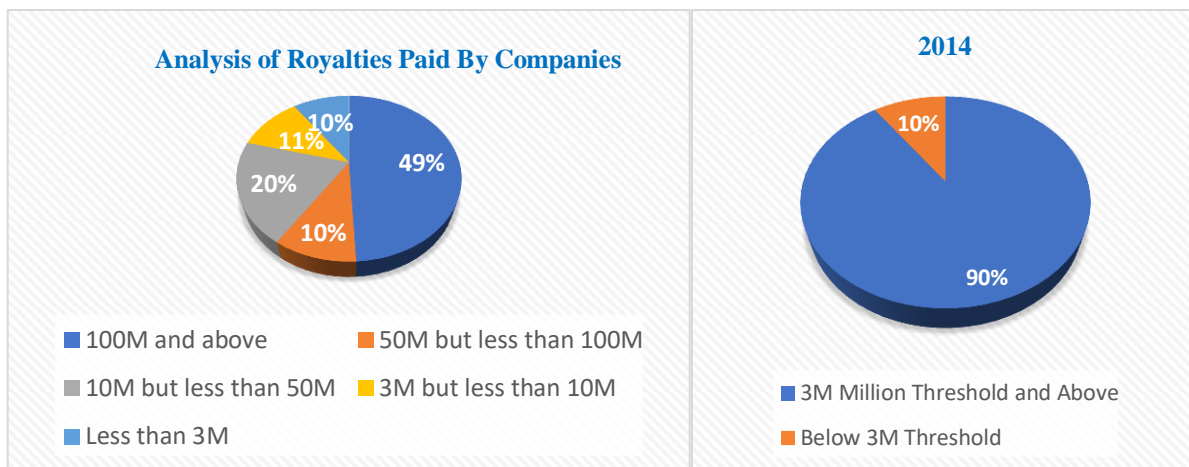


Figure 3: Royalty Analysis

### 2.3 Reconciliation of Variance

After the completion of the desk review, verification and field visit to the covered entities for validation, tripartite reconciliation meetings between the Independent Reconciler, Government Entities and Extractive Companies (with NEITI officials as observers) were held in Lagos, Port-Harcourt and Abuja. During these interactive reconciliation meetings, Government Entities and Extractive Companies submitted underlying records, that is, receipts for payments made or received to facilitate reconciliation and resolution of any differences arising from their submissions and validation exercises earlier carried out. At the end of the exercise, the Extractive Companies, Government Entities and the Reconciler signed off on the reconciled position with each party having a copy of the signed off position.

### 2.4 Data quality and assurance

The specific instructions given to reporting entities for the completion of data templates sent by NEITI included the following:

- i) Companies and Government Entities were requested to sign off their reporting

- templates by responsible senior officer with appropriate authority.
- ii) The Office of the Auditor General for the Federation to certify revenues submitted by the government entities/agencies and,
  - iii) All payments must be supported by documents and official receipts.

We planned and performed our audit exercise in accordance with ISRSs. Those standards requires us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the data provided are free from material misstatement.

We obtained all the information and explanations which we considered necessary to provide sufficient appropriate evidence to give reasonable assurance that the data provided are free from material misstatement.

Specifically, to ensure compliance with EITI Requirement 4.9 (2016), and satisfy ourselves that the data submitted for the audit exercise is credible, we organized validation meetings with the extractive companies and government entities covered in the audit. During these meetings, the covered entities were made to produce the original receipts and other related supporting documents/records for sighting with a view to confirming accuracy of the amounts declared. We are satisfied that the books and records were prepared in conformity with IFRS and other applicable financial reporting framework in Nigeria.

### 3.0 Legal and Institutional Framework

Nigeria is rich with over 34 commercial solid minerals deposits that spread across the country. From 1903, the country had modest exploration and exploitation with intermittent growth up to 1960. Tin, columbite, coal, etc, were the early solid minerals that contributed significantly to Nigeria's economy but declined at the advent of oil boom from 1970 till date.

The return to solid minerals was necessitated due to international oil politics, and the need to diversify Nigeria's economy. In the 1970s, the federal government began an ambition to use Nigeria's iron ore and coal to produce steel for her industrialization. The search and project development for the steel project was saddled under National Steel Development Authority (NSDA). Subsequently, the federal government broke the NSDA into Ajaokuta Steel Company, Delta Steel Plant and other steel rolling mills. At the same period, increase investment were made into Nigeria Coal Corporation and Nigeria Mining Corporation with mandates to mine, process, add value and enhance the utilization of solid minerals within their activities and to export excess.

In the early 2000, the effect of privatization policy of the federal government resulted in another decline in activities of extractive companies within the solid minerals sector. However, there were increase in exploration and exploitation of construction materials such as limestone and granite for cement production and infrastructure development of Nigeria. Also, there is increase in foreign direct investment in exploration and exploitation of gold, iron ore, coal, gypsum, lead and zinc, tin and columbite among others. This brought about the Solid Minerals Roadmap of 2012, to add value to mining and processing towards utilisation and industrialisation.

Recently, the Federal Government of Nigeria through the Ministry of Mines and Steel Development, re-launched the Solid Mineral Policy roadmap in September, 2016 aimed at ensuring policy continuity and consistency in the sector. Visit the link below for the Solid Mineral Roadmap.

[http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/09/Nigeria\\_Mining\\_Growth\\_Roadmap\\_Final.pdf](http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/09/Nigeria_Mining_Growth_Roadmap_Final.pdf)

### 3.1 Legal Framework and Fiscal Regime

The following are some of the principal laws, policies, regulations, and guidelines governing solid minerals exploration and exploitation in Nigeria.

#### 3.1.1 Minerals and Mining Act 2007

The primary legislation that regulates the Nigeria mining sector is the Minerals and Mining Act, 2007. It governs and regulates all aspects of the exploration and exploitation of solid minerals in Nigeria. It was enacted to deal with the short comings associated with the Minerals and Mining Act, No. 34 of 1999. The Act vested on the Federal Government of Nigeria the control, regulation and ownership of all mineral resources therein.

The key provisions include:

- i) Eligibility requirements for grant of mineral titles
- ii) Establishment of the MCO
- iii) Grant of a title on a 'first come, first served' basis
- iv) Environmental considerations

- v) Dispute resolution
- vi) Incentives for investment

### **3.1.2 The National Minerals and Metals Policy 2008**

The National Minerals & Metals Policy 2008 is a product of Minerals and Mining Act 2007. It was designed to provide a new direction of development for the sector by the government with a view to enhancing performance through adequate regulation.

Some of the core objectives of the policy are to:

- ✓ Ensure compliance with environmental best practices and encourage a transparent mining titles and permit regime
- ✓ Promote linkage with the national economy through the enforcement of the use of domestic metal products for the development of the nation's infrastructure

### **3.1.3 Nigerian Minerals and Mining Regulation 2011**

The Minister, in the exercise of his powers under the Minerals and Mining Act, 2007 issued the Nigerian Minerals and Mining Regulations 2011. The objective of the regulation is to ensure orderly and sustainable development of Nigerian's mineral resources, create an enabling environment for foreign and domestic investors by providing adequate infrastructure for mining activities and identify areas where Government intervention is desirable in achieving policy goals in mineral resources development.

The regulation set out the rules, procedures and processes for the acquisition of mineral titles, thereby streamlining the procedures for granting licenses.

### **3.1.4 Guidelines on Mineral Titles Application 2014**

The Guidelines on Mineral Titles Application was issued by MCO to enable it achieve its responsibility of an efficient and effective administration and management of mineral titles in Nigeria in accordance with the Minerals and Mining Act 2007. The guidelines detail the different types of mineral titles, the requirements for the application of these titles as well as a detailed outlook on the application procedure and fees payable.

The following mineral titles are contained in the guidelines:

- ✓ Reconnaissance Permit
- ✓ Exploration License
- ✓ Mining Lease
- ✓ Quarry Lease
- ✓ Small Scale Mining Lease
- ✓ Water Use Permit

### **3.1.5 Nigeria Extractive Industries Transparency Initiative Act 2007**

NEITI Act, 2007 which provides for the establishment of the Nigerian Extractive Industries Transparency Initiative is charged with the following responsibilities amongst others:

- i) Ensuring due process and transparency in the payments made by all extractive industry companies to the FGN and statutory recipients;
- ii) Monitoring and ensuring accountability in the revenue receipts of the FGN from extractive industry companies;
- iii) Eliminating all forms of corrupt practices in the determination, payments, receipts and posting of revenue accruing to the FGN from extractive industry companies;
- iv) Ensuring transparency and accountability in the application of resources from payments received from extractive industry companies

### **3.1.6 1999 Constitution of the Federal Republic of Nigeria**

Under the 1999 Constitution of the Federal Republic of Nigeria (as amended), mines and minerals are contained in the exclusive legislative list. Therefore, the Federal Government has exclusive powers and jurisdiction on all matters relating therein. Consequently, all taxes and royalties derived from mining activities go to the Federation Account.

### **3.1.7 Land Use Act 2004**

The Land Use Act vests all land in the territory of each state in the Governor of the state with exception of land that has been vested in Federal Government or its agencies.

### **3.1.8 Environmental Impact Assessment Act 2004**

The Environmental Impact Assessment Act makes it mandatory to conduct an EIA in respect of any proposed project or activity. More specifically, the Act places a restriction on commencing any public or private project without prior consideration of the likely environmental effects.

### **3.1.9 Company and Allied Matters Act 2004**

CAMA 2004 (as amended) regulates company formation and operation in Nigeria. It provides that no foreign company may carry on business in Nigeria unless it incorporates a local subsidiary in the country. The Minerals and Mining Act 2007 incorporates this by providing that no person shall be qualified for the grant of any mining title unless the person is a body corporate duly incorporated under CAMA 2004 (as amended).

### **3.1.10 Companies Income Tax Act 2004 (as amended)**

Companies involved in mining activities are assessed to tax under the Companies Income Tax Act 2004 (as amended). The following taxes are required to be paid by a mining company:

- i) Company Income Tax
- ii) Education Tax
- iii) Value Added Tax
- iv) Capital Gains Tax.

However, sole proprietors and partnerships engaged in mining activities are liable to tax under the Personal Income Tax Act 2004 (as amended).

### **3.1.11 Nigerian Investment Promotion Council Act 2004**



The NIPC Act 2004 was enacted to encourage and promote investment in the Nigerian economy, and for matters connected thereto. Section 29 (2) of the Minerals and Mining Act 2007 provides that the provisions of the NIPC Act 2004 shall apply to any foreign investment made in respect of any mineral title granted pursuant to this Act. By virtue of this, the provisions of the NIPC Act 2004 that apply to foreign investors, shall also apply to same who have made investments in respect of any mineral titles.

### **3.1.12 Revenue Mobilization Allocation and Fiscal Commission**

Section 153-subsection (1) of the 1999 Constitution of the Federal Republic of Nigeria provides for the establishment of the Revenue Mobilization Allocation and Fiscal Commission. The Commission derives its powers and constitutional functions from paragraph 32 of Part I of the Third Schedule to the 1999 Constitution. The Commission, accordingly, has been vested, constitutionally, with powers and responsibilities to monitor the accruals into and disbursement of revenue from the Federation Account, review from time to time, the revenue allocation formulae and principles in operation to ensure conformity with changing realities.

### **3.1.13 Other Legislations**

Other important legislation that affects the mining industry in Nigeria includes; the Explosives Act 2004, the Nuclear Safety and Radiation Protection Act 2004, and the National Environmental Standards and Regulations Enforcement Agency (Establishment) Act 2007.

## **3.2 Licence Allocation**

The extant law makes it an offence to engage in the search for or exploit mineral resources without a valid title. The guidelines for application for different mineral titles in Nigeria can be found on:

[http://www.miningcadastre.gov.ng/pages/pub/pdf/Guidelines\\_for\\_Mineral\\_Title\\_Applications.pdf](http://www.miningcadastre.gov.ng/pages/pub/pdf/Guidelines_for_Mineral_Title_Applications.pdf)

## **3.3 Register of licences**

In compliance with EITI requirement 2.3, MCO maintains a register of licences for all solid mineral titles in the country. This can be found on:

<http://www.miningcadastre.gov.ng/pages/pub/pressrel.html>

## **3.4 Contracts**

Nigeria operates a cadastre system where licences are granted according to the guidelines on minerals title application and the principle of first come first serve applies and are not tied to contracts (<http://www.miningcadastre.gov.ng/>).

## **3.5 Beneficial Ownership**

A roadmap towards development of a beneficial ownership register is in place by the federal government of Nigeria. Twenty two companies provided information on beneficial ownership, details are can be seen in appendix 1.

The existing legislations in the country provide for disclosures that must be made by all companies incorporated and/or operating in Nigeria. The specific provisions on the subject matter can be found in the links listed below.

Sections 83 – 87 of CAMA 2004 (as amended):

[http://cacnigeria.org/downloads/CAC\\_1990\\_Decree\\_001.pdf](http://cacnigeria.org/downloads/CAC_1990_Decree_001.pdf)

Sections 52, 94, 140, 149, 152, 185, 194 and 290 of 1999 Constitution of Nigeria (as amended)

<http://www.nigeria-law.org/ConstitutionOfTheFederalRepublicOfNigeria.htm>

### **3.6 State Participation**

There is no active government participation in the solid minerals sector as its interest in the solid minerals sector has been slated for privatization. This process is being handled by BPE. There was no disposal activity during the year 2014 as stated by BPE. For information on the status of state-owned extractive companies visit:

<http://www.bpeng.org/sites/bpe/aboutus/Pages/Privatisation.aspx>

<http://www.bpeng.org/sites/bpe/concluded%20transactions/Pages/default.aspx>

<http://www.bpeng.org/sites/bpe/current%20transactions/Pages/default.aspx>

#### 4.0 Exploration and Production

Solid minerals contributed immensely to the economic development of Nigeria in the pre-independence years. During this period, Nigeria was known for the production of coal as an energy source for electricity, railways and also for export. Tin, columbite, lead and zinc were exported. The earnings from solid minerals were used to develop key social goods such as roads, education, hospitals etc. The decline of the solid minerals industry started as a result of the nationalization policy of the military government in the 1970s and got aggravated with the attendant oil boom at that time. Due to gross neglect, Nigeria subsequently turned mono product economy, highly susceptible to international oil politics. The neglect of the solid minerals industry also led to disorder in the minefields, resulting in widespread illegal mining activities characterized by inefficiencies, illicit trading of highly priced minerals, severe ecological degradation and huge loss of revenue to the government through smuggling and nonpayment of taxes.

The Federal Government of Nigeria, more than ever before, is now committed to diversifying the nation's economy; from dependence on oil revenue to non-oil revenues, including boosting of revenue from solid minerals. As part of its efforts to revive the sector, the Federal Government of Nigeria re-launched the Solid Mineral Policy roadmap in September 2016. The roadmap is aimed at ensuring policy continuity and consistency in the sector. Visit the link below for the Solid Mineral Roadmap.

[http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/09/Nigeria\\_Mining\\_Growth\\_Roadmap\\_Final.pdf](http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/09/Nigeria_Mining_Growth_Roadmap_Final.pdf)

#### 4.1 New Developments in Exploration and Exploitation of Solid Minerals

The key new developments in exploration and exploitation that took place in 2014 are shown in the table below.

Table 3: New Developments in Exploration and Exploitation of Solid Minerals

Name of Company	New Information	Mineral	Location
KCM Mining Ltd	Australian Mining Firm a reserve of about 500 million tons. Exploration licenses updated approved on 11/3/15	Iron Ore	Agbaja Area, Kogi State
Segilola Resources Operating Ltd	Firm acquired by Thor Explorations Ltd, updated its Exploration license approved on 25/09/2014	Gold,	Oriade, Ijebu Ijesha, Osun State
Northern Numero Resources Ltd	Australian Mining Company, Small scale mining licenses updated approved on SSML 13/10/2014	Gold,	Iwajowa, Oyo State
West African Polaris Investment Ltd	Chinese, obtained Exploration license in 2014	Tin and Columbite	Nassarawa State
Dangote Group	Dangote group obtained iron ore license in 2013	Iron ore	Benue and Kogi States
Tongyi Allied and Mineral Services Ltd	Chinese commenced actual mining in 2014	Lead and Zinc	Wase, Plateau State

Source: MCO, 2014; MMSD, 2014

#### 4.1.1 Nigeria Mineral Endowment

Nigeria is richly endowed with various types of mineral resources. Presently, there are over thirty-four mineral finds in commercial quantity spread across the entire country. Some key mineral resources include: gold, coal, bitumen, iron ore, tantalite/columbite, lead/zinc sulphides, barytes, cassiterite, gemstones, talc, feldspar and marble. Below are some mineral titles on which major exploration and exploitation are being carried out in Nigeria.

**Gold:** Gold is found in North West, North Central and South West of Nigeria. Gold deposits found in Northern Nigeria are most prominently near schist belt in Maru, Anka, Malele, Tsohon Birnin Gwari-Kwaga, Gurmana, Yauri, Dogondaji, and Iperindo in Osun state . There are over ten sites holding reserves in excess of 50,000 ounces of high quality gold according to Thor Exploration Ltd, (2016). There are also a number of smaller occurrences beyond these major areas. Till date, over 30 licenses have been issued to co-operative societies and companies for mining of gold in the country. In Nigeria, most of the concessions in the mining of gold are still in the exploration stage.

Table 4: Gold Licences

S/N	CODE	TITLE	TITLE HOLDERS	MINERAL	CU	LGA	STATE	EFF DATE	EXP DATE
1	5730	EL	C.G.C. Nigeria Limited	Gold	886	Kachia	Kaduna	16/02/2011	15/02/2014
2	5731	EL	C.G.C. Nigeria Limited	Gold	744	Kachia	kaduna	16/02/2011	15/02/2014
3	8575	EL	C.G.C. Nigeria Limited	Gold	930	Doguwa	Kano	15/07/2011	14/07/2014
4	11213	EL	C.G.C. Nigeria Limited	Gold	986	Kubau	kaduna	15/07/2011	14/07/2014
5	11214	EL	C.G.C. Nigeria Limited	Gold	22	Kubau	Kaduna	06/07/2011	05/07/2014
6	7091	EL	CGC Nigeria Limited	Gold	969	Garkida	Adamawa	30/04/2010	29/04/2013
7	7450	EL	CGC Nigeria Limited	Gold	416	Karim Lamido	Taraba	30/04/2010	29/04/2013
8	7454	EL	CGC Nigeria Limited	Gold	499	Karim Lamido	Taraba	30/04/2010	29/04/2013
9	9814	EL	CGC Nigeria Limited	Gold	28	Jibia	Katsina	06/07/2011	05/07/2014
10	9815	EL	CGC Nigeria Limited	Gold	4	Jibia	Katsina	06/07/2011	05/07/2014
11	11215	EL	CGC Nigeria Limited	Gold	675	Kubau	kaduna	15/07/2011	14/07/2014
12	15604	EL	Tongyi Allied Mining Limited	Gold	74	Talata Mafara	Zamfara	02/08/2013	01/08/2016
13	15288	ML	Tongyi Allied Mining Ltd	Gold	18	maru	Zamfara	31/07/2013	30/07/2038
14	15289	ML	Tongyi Allied Mining Ltd	Gold	25	Bukkuyum	Zamfara	31/07/2013	30/07/2038

Source: MCO, 2014

**Iron Ore:** Nigeria currently has the 12th largest iron ore reserves in the world. There are over three (3) billion tons of iron ore found in Kogi, Enugu, Niger, Zamfara and Kaduna States. Iron ore deposits in Nigeria typically occur in forms such as hematite, magnetite, metasedimentary, band of ferruginos quartzites, sedimentary ores, limonite, maghemite, goethite and siderite. The Itakpe iron ore deposit has an estimated reserve of 310 M tons and Agbaja has about 500 M tons according to KCM (2014), Ajabanoko (60 Mtons), Agbado-okudu (60 Mtons), Tajimi (20 Mtons), Ochokocho (12 Mtons) among others.

Table 5: Iron Ore Licences

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	SSML	17407	Cejtech Nig Ltd	5	Iron Ore	Sokoto	Tureta	12/03/2014	11/03/2019
2	SSML	17873	Malkis Resources International Nig Ltd	10	Iron Ore	Yobe	Nangeri	12/03/2014	11/03/2019
3	SSML	18390	Gems & Minerals Ltd	15	Iron Ore	Nasarawa	Kokona	15/12/2014	14/05/2019
4	SSML	19247	Radiant Gems & Jewery Ltd	15	Iron Ore	Kebbi	Jega	13/10/2014	12/10/2019
5	SSML	18587	ASG Solar Tech Ltd	15	Iron Ore	Nasarawa	Nasarawa Eggon	08/08/2014	07/08/2019
6	EL	17381	Radiant Gems & Jewellery Ltd	210	Iron Ore	Kebbi	Jega	14/05/2014	13/05/2017
7	EL	17952	Omego Mining Co. Ltd	204	Iron Ore	Kogi	Ajaokuta	13/10/2014	10/12/2017
8	EL	16633	Hibiscus Mining Ltd	366	Iron Ore	Kogi	Kogi	12/03/2014	11/03/2017
9	EL	18685	West African Polaris Investments Ltd.	488	Iron Ore	Kogi	Kogi/Koton-Karfi	24/09/2014	23/09/2017

Source: MCO, 2014

**Lead-Zinc:** Lead-zinc ores are found usually together and often associated with copper and silver. The minerals are found in commercial quantities along the Benue trough, extending from Abakiliki in the south-east through the middle Benue trough to upper benue trough in Bauchi state.

Table 6: Lead-Zinc Licences

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	SSML	17717	Dan Nayaba Investment Nig Ltd	10	Lead, Zinc	Kaduna	Makarfi	21/02/2014	20/02/2019
2	SSML	18428	Bebeyi Merchants Ltd	15	Lead, Zinc	Nasarawa	Nasarawa Eggon	08/08/2014	07/08/2019
3	SSML	19148	Sufala Global Concepts Ltd	6	Lead, Zinc	Plateau	Wase	15/12/2014	14/12/2019
4	SSML	17027	Hafsy Collections Limited	2	Lead, Zinc	Bauchi	Alkaleri	08/08/2014	07/08/2019
5	SSML	17595	Asmar Prospectors	12	Lead, Zinc	Plateau	Wase	29/01/2014	28/01/2019
6	EL	18538	Tongyi Allied Minerals Ltd.	150	Lead, Zinc	Plateau	Wase	04/08/2014	03/08/2014
7	EL	19249	HSHF Overseas Ltd.	372	Lead, Zinc	Plateau	Wase	13/10/2014	12/10/2017
8	EL	19125	Minta Mines Limited	15	Lead/Zinc	Bauchi	Alkaleri	17/11/2014	16/11/2017
9	EL	18765	Kereksuk Invstment Ltd	23	Lead/Zinc	Plateau	Wase	17/11/2014	16/11/2017
10	EL	19202	Puksi Investment Limited	100	Lead-Zinc	Plateau	Wase	17/11/2014	16/11/2017

Source: MCO, 2014

**Limestone:** Limestone occurrences are reported in over 30 States of the Federation with inferred reserves of over 2.3 trillion metric tons with 568 million tons of proven reserves. The largest and purest limestone deposits are found in the South West and North Central regions of the country. Most limestone mining activities are mainly for lime and cement production as evident across all the six geo-political zones in Nigeria.

Table 7: Limestone Licences

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	SSML	17984	Jemerald Global Impact Resources Ltd	4	Limestone	Edo	Owan East	18/12/2014	17/12/2019
2	QLS	17350	Oguotso MPCs	3	Limestone	Edo	Akoko Edo	29/01/2014	28/01/2019
3	QLS	18580	Gamla Nig Ltd	2	Limestone	Edo	Etsako East	04/08/2014	03/08/2019
4	QLS	19018	Petra Quarries Ltd	20	Limestone	Edo	Owan East	14/10/2014	13/10/2019
5	EL	16358	The Nigeria Cement Co. Plc	36	Limestone	Ebonyi	Ishielu	12/03/2014	11/03/2017
6	EL	17332	Lafarge Cement WAPCO Nig. Plc.	40	Limestone	Enugu	Nkanu East	22/04/2014	21/04/2017

7	EL	17373	Africem Quarry Ltd	498	Limestone	Cross River	Akamkpa	29/01/2014	28/01/2017
8	EL	17874	Giant Cement Works Ltd	366	Limestone	Cross River	Akamkpa	12/03/2014	11/03/2017
9	EL	18523	Ashaka Cement Plc	4	Limestone	Gombe	Funakaye	28/09/2014	27/09/2017
10	EL	17881	Kware Cement Company Ltd	143	Limestone	Sokoto	Kware	17/11/2014	16/11/2017
11	18849	EL	Dangote Industries Limited	16	Limestone	Ogun	Ewekoro	17/11/2014	16/11/2017

Source: MCO, 2014

**Coal:** Nigeria has bituminous Coal with low sulfur and ash content, as well as, environmental friendly and can be found in the north-east, north-central and south east regions of the country. There are nearly 3 billion tons of indicated reserves in 17 identified coalfields and over 600 million tons of proven reserves.

Table 8: Coal Licences

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	EL	16410	Stone Products Nig Ltd	301	Coal	Gombe	Akko	29/01/2014	28/01/2017
2	EL	16412	Stone Products Nig Ltd	168	Coal	Gombe	Akko	29/01/2014	28/01/2017
3	EL	16629	Total Mining Ltd	18	Coal	Kogi	Ajaokuta	12/03/2014	11/03/2017
4	EL	18073	Enugu Energy Resources Ltd	90	Coal	Enugu	Oji River	25/09/2014	24/09/2017
5	EL	18301	Ashaka Cement Plc	378	Coal	Gombe	Akko	28/09/2014	27/09/2017
6	EL	18597	Banji Coal Mines Ltd.	121	Coal	Benue	Obadibo	30/07/2014	29/07/2017
7	EL	19526	Atlas Petroleum International Ltd.	639	Coal	Enugu	Igboeze N.	16/12/2014	15/12/2017
8	EL	19527	Atlas Petroleum International Ltd.	811	Coal	Enugu	Igboeze N.	16/12/2014	15/12/2017
9	EL	19004	Dangote Industries Ltd	355	Coal	Kogi	Ankpa	12/09/2014	11/09/2017

Source: MCO, 2014

**Gypsum:** Over two million tons of gypsum deposits are spread over many States in Nigeria. Active extraction of gypsum is ongoing in Tongo and funakaye area and supports cement production of Ashaka Cement Plc, Ashaka, Gombe State and Northern Nigeria Cement Company, Sokoto. Current production is put at 8 million tons per annum while the national requirement is 9.6 million tons (MMSD, 2013).

Table 9: Details of Gypsum Licences as at 2014.

S/N	TITLE	CODE	TITLE HOLDERS	CU	MINERAL	STATE	LGA	EFF DATE	EXP DATE
1	SSML	17666	AKS Rajah Investment Ltd	1	Gypsum	Gombe	Funakaye	22/04/2014	21/04/2019
2	SSML	17668	Alh. Yamusa Adamu Nig Ltd	1	Gypsum	Gombe	Nafada	20/06/2014	19/06/2019
3	SSML	17669	Asuaiha Enterprises	1	Gypsum	Gombe	Nafada	16/05/2014	15/05/2019
4	EL	18154	Prime Fames Nig. Ltd	100	Gypsum	Kogi	Igala-Mela Odolu	02/06/2014	01/06/2017
5	EL	18384	Cement Company of Northern Nigeria Plc	300	Gypsum	Sokoto	Goronyo	16/12/2014	15/12/2017
6	EL	16730	Saisa Venture Ltd	144	Gypsum	Sokoto	Tambuwal	12/03/2014	11/03/2017

Source: MCO, 2014

**Granite Aggregates, Dimension Stones and Sand Quarrying:** As of December 2015, there were over 100 companies involved in the quarrying sector (MCO, 2016). Over 90% of the revenue accrued to the government in terms of royalties and other fees on minerals comes from quarrying operations (MMSD, 2016). Most of the quarrying activity also supplies quarry dust and sharp sand to the local construction industry and, in recent years, has begun supplying local

cement manufacturers in terms of clay, laterite, and shale among others. Another quarry operation that is emerging is dimension stone quarry for the production of granite and marble blocks, tiles and slabs.

For full details of licences issued during year 2014, see **Appendix 3**.

## 4.2 Production

Production data is based on minerals used/sold which is the basis for royalty payments.

During the year, 2014, the total volume/quantity of actual production was 36,208,370.16 tonnes and the total volume/quantity used or sold was 47,087,227.58. The difference may be attributed to the addition of opening stock to actual production for the year and under declaration of actual production by some companies. The production of minerals in terms of Mineral types, volume as well as the percentage contribution of each is presented in the tables, pie chart and histogram below.

Table 10: Solid Minerals Production by States

S/N	State	Total Production (Tons)	Value of Production (NGN)	Royalties	% of Total Production
1	KOGI	12,820,108.96	5,852,593,526.05	292,629,676.30	27.23
2	OGUN	11,894,739.50	6,298,626,856.80	314,931,342.84	25.26
3	CROSS RIVER	4,681,419.08	2,880,975,745.00	144,048,787.25	9.94
4	FCT	2,883,096.50	2,184,568,885.00	109,228,444.25	6.12
5	BENUE	2,538,255.18	1,197,487,895.00	59,874,394.75	5.39
6	EBONYI	1,662,537.78	1,330,030,224.00	66,501,511.20	3.53
7	GOMBE	1,237,145.25	748,825,114.95	37,441,255.75	2.63
8	SOKOTO	1,090,776.78	462,404,634.00	23,120,231.70	2.32
9	ABIA	1,059,333.87	786,720,431.00	39,336,021.55	2.25
10	EDO	966,667.53	764,864,510.73	38,243,225.54	2.05
11	AKWA-IBOM	943,030.00	284,467,800.00	14,223,390.00	2.00
12	JIGAWA	798,243.45	462,522,405.00	23,126,120.25	1.70
13	OYO	704,974.00	563,979,200.00	28,198,960.00	1.50
14	TARABA	457,384.48	284,604,239.00	14,230,211.95	0.97
15	PLATEAU	456,663.82	1,140,866,706.00	57,043,335.30	0.97
16	NIGER	269,165.05	196,324,270.00	9,816,213.50	0.57
17	DELTA	265,927.20	88,778,160.00	4,438,908.00	0.56
18	KADUNA	262,463.25	179,612,845.00	8,980,642.25	0.56
19	ZAMFARA	243,935.77	181,038,666.00	9,051,933.30	0.52
20	BAUCHI	230,238.03	180,137,094.00	9,006,854.70	0.49
21	ONDO	221,950.00	134,255,000.00	6,712,750.00	0.47
22	LAGOS	198,200.00	79,280,000.00	3,964,000.00	0.42
23	NASARAWA	154,657.07	82,188,519.80	4,109,425.99	0.33
24	KEBBI	139,608.00	61,091,900.00	3,054,595.00	0.30
25	EKITI	137,816.30	110,253,040.00	5,512,652.00	0.29
26	KATSINA	131,505.60	76,497,106.67	3,824,855.33	0.28
27	OSUN	105,267.00	67,739,600.00	3,386,980.00	0.22
28	RIVERS	100,962.50	32,385,000.00	1,619,250.00	0.21
29	BAYELSA	100,000.00	40,000,000.00	2,000,000.00	0.21
30	ENUGU	100,000.00	40,000,000.00	2,000,000.00	0.21
31	KWARA	74,120.33	45,896,349.00	2,294,817.45	0.16
32	KANO	68,365.30	51,375,590.00	2,568,779.50	0.15
33	ADAMAWA	35,440.00	28,352,000.00	1,417,600.00	0.08

34	IMO	33,408.00	11,997,400.00	599,870.00	0.07
35	ANAMBRA	19,822.00	5,946,600.00	297,330.00	0.04
<b>Total</b>		<b>47,087,227.58</b>	<b>26,936,687,313.00</b>	<b>1,346,834,365.65</b>	<b>100</b>

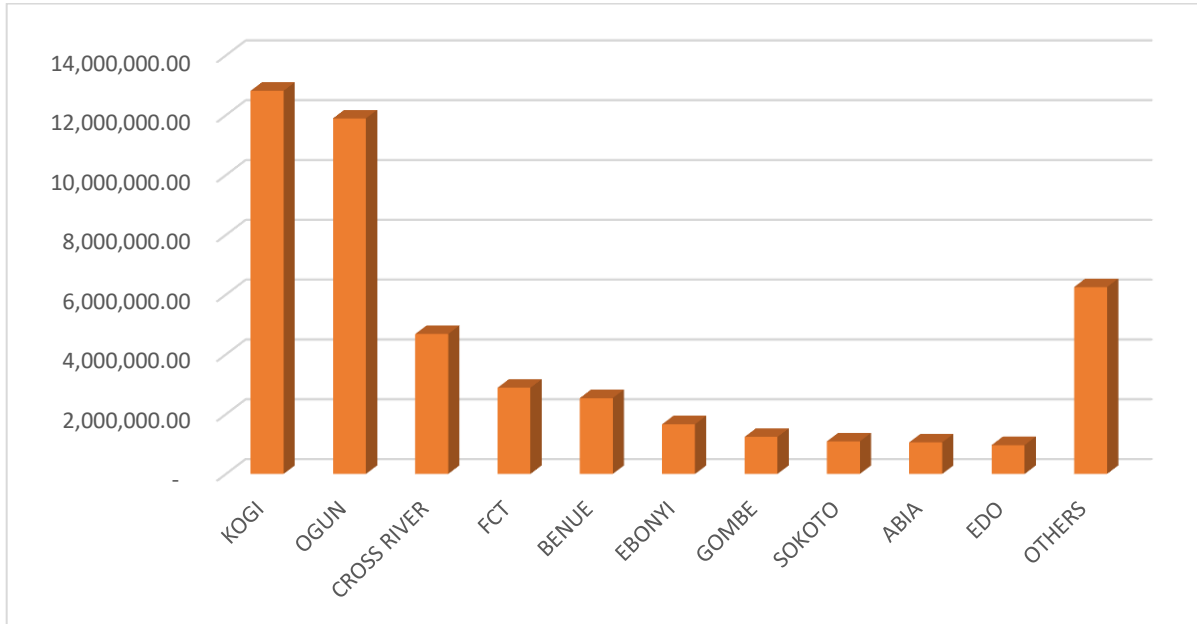
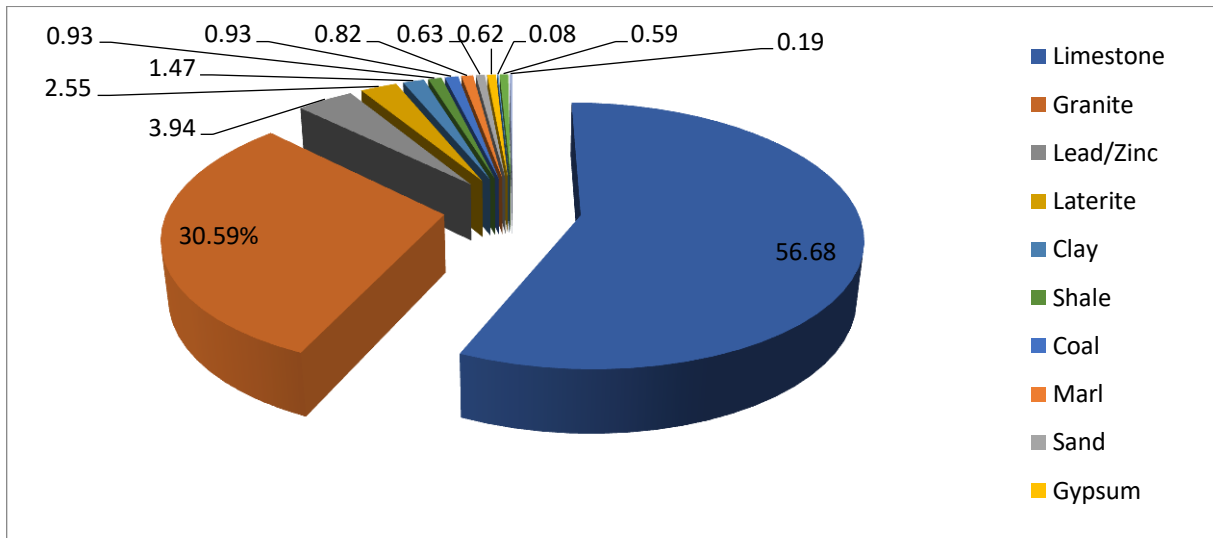


Figure 4: Solid Minerals Production by States

Table 11: Solid Minerals Production, 2014

S/N	Minerals	Production (Tons)	Value of Production (NGN)	% of Total
1	Limestone	23,394,381.22	11,697,190,610.95	56.68
2	Granite	7,890,261.16	6,312,208,294.00	30.59
3	Lead/Zinc	27,085.00	812,550,000.00	3.94
4	Laterite	1,751,288.02	525,386,406.24	2.55
5	Clay	1,519,347.36	303,869,472.64	1.47
6	Shale	645,374.00	192,074,800.00	0.93
7	Coal	127,466.66	191,199,990.00	0.93
8	Marl	338,489.00	169,244,500.00	0.82
9	Sand	322,557.00	129,022,800.00	0.63
10	Gypsum	31,790.74	127,162,960.00	0.62
11	Red-alluvium	80,550.00	16,110,000.00	0.08
12	Feldspar	60,580.00	121,160,000.00	0.59
13	Kaolin	19,200.00	38,400,000.00	0.19
<b>Total</b>		<b>36,208,370.16</b>	<b>20,635,579,833.83</b>	<b>100.00</b>





Figure

5: Solid Minerals Production, 2014

Table 12: Comparison of Solid Minerals Used in 2013 and 2014

S/N	Minerals	Total Quantity Used (Tons) 2014	Total Quantity Used (Tons) 2013	% Change
1	Granite	13,274,186.35	12,862,176.00	3.20
2	Limestone	25,652,279.24	24,078,243.00	6.54
3	Laterite	3,802,120.27	5,241,598.00	(27.46)
4	Sand	767,900.05	2,662,323.00	(71.16)
5	Shale	812,509.59	927,247.00	(12.37)
6	Red-alluvium	80,550.00	142,341.00	(43.41)
7	Marl	673,361.23	-	-
10	Coal	127,466.66	106,456.00	19.74
12	Clay	1,750,718.45	86,854.00	1,915.70
13	Others	146,135.74	173,758.00	(15.90)
<b>Total</b>		<b>47,087,227.58</b>	<b>46,280,996.00</b>	<b>1.74</b>

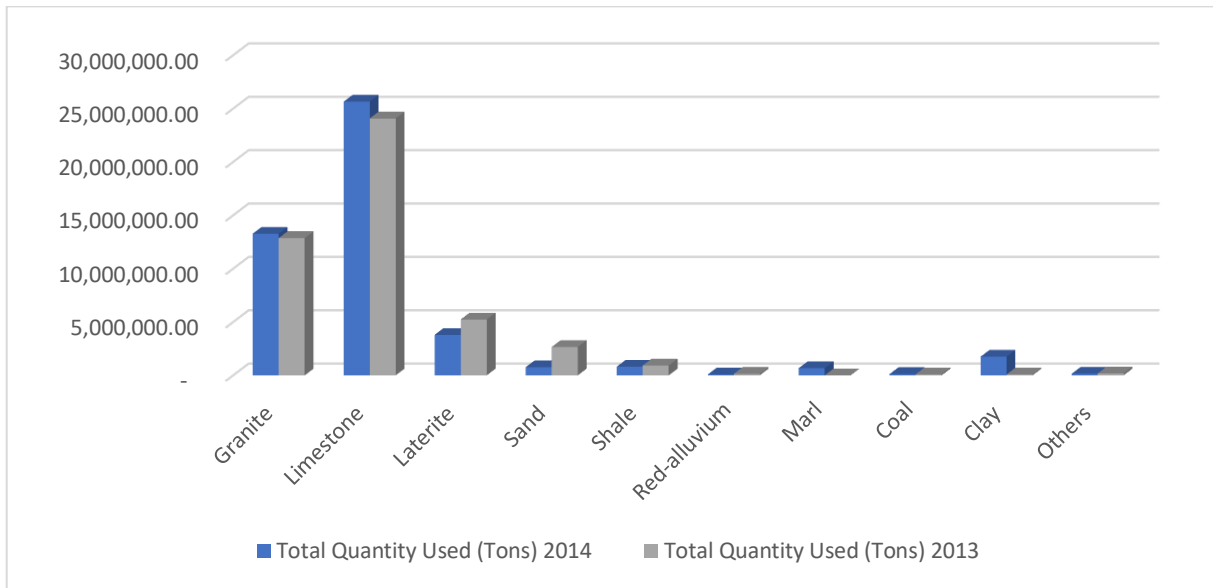


Figure 6: Solid Minerals Used, 2014

For the details of each state’s production by volume and value, see **Appendix 11**.

#### 4.2 Export

The value of solid minerals exported during the year under review was ₦4,377,859,038.23 (i.e,USD26,136,471.87 converted to Naira at 2014 CBN closing average rate of ₦167.5/\$). The summary of the export by type of minerals is set out below. Export data is based on submission from CBN and NCS.

Table 13: Solid Minerals Export, 2014

S/N	MINERALS	GROSS WEIGHT (TONS)	NESS FEE ADMIN (USD)	FOB VALUE (USD)	% of FOB Value
1	Lead and Zinc Ore	67,164.02	1,869,213.80	23,561,886.63	90.15
2	Columbite	960.00	60,520.69	721,806.60	2.76
3	Gold Ore and Concentrates	500.00	46,422.00	600,000.00	2.30
4	Copper Ore	773.80	36,308.41	466,568.90	1.79
5	Crude Mica	1,076.90	19,829.57	245,420.80	0.94
6	Zircon Sand	1,034.00	17,307.71	207,176.59	0.79
7	Barite	550.00	8,896.00	113,520.00	0.43
8	Beryl Ore	52.00	5,532.20	67,200.00	0.26
9	Quartz Ore	100.00	3,503.25	45,000.00	0.17
10	Tin Ore	68.70	2,413.89	27,458.80	0.11
11	Maganese Ore	183.00	3,192.01	27,275.55	0.10
12	Tantalite	20.00	1,558.00	20,000.00	0.08
13	Kaolin	90.00	947.82	11,518.00	0.04
14	Monozite Sand	104.00	769.31	9,880.00	0.04
15	Calcium Carbonate	50.00	464.25	6,000.00	0.02
16	Granite Block	18.00	500.17	5,760.00	0.02
<b>Total</b>		<b>72,744.42</b>	<b>2,077,379.08</b>	<b>26,136,471.87</b>	<b>100</b>

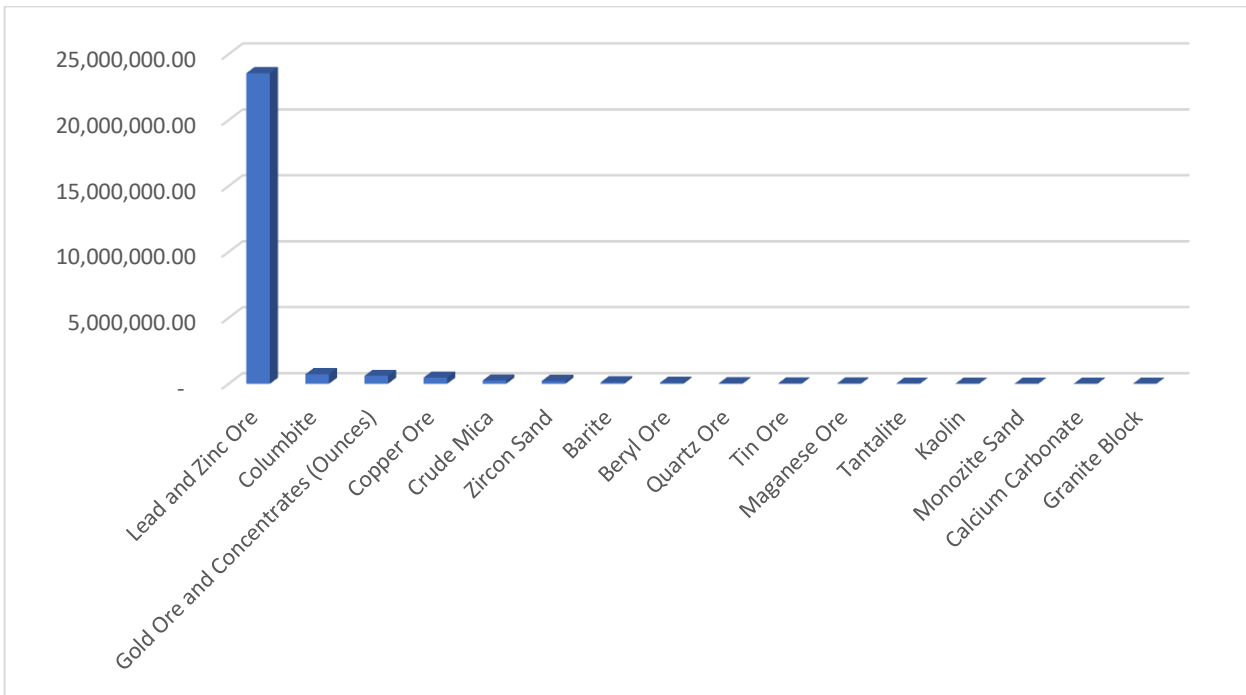


Figure 7: Solid Minerals Export based on FOB Value

The detailed breakdown of export by product type, country volume and value is as shown in **Appendix 4**.

**5.0 Revenue Collection**

The Revenues generated from the solid minerals sector can be found in the CRF. The CRF was established by Section 80 of the 1999 Constitution of the Federal Republic of Nigeria. All revenue not specifically designated to other funds, goes in to the CRF. Taxes generated from the sector may not be easily determined because of the absence of a sector specific fiscal regime.

**5.1 Comprehensive Disclosure of Taxes and revenue**

Financial flows to the Federation from the Solid Minerals sector captured by the EITI reconciliation are set out in this section. In addition, companies make payments to government (Federal, States and local Government) which are not sector specific – e.g. VAT, PAYE; these payments are also set out in this section.

In summary, the financial flows to the Federation during the period from the Solid Minerals sector, as reported by the companies participating in the EITI reconciliation exercise and, to the extent described in the report, confirmed by the appropriate Government agencies, were:-

Table 14: Declared Revenue by Companies and Government

Payment Streams	Declared Company revenue (NGN)	Declared Government revenue (NGN)	Variation
FIRS	67,375,660,165.08	47,847,743,101.68	(19,527,917,063.40)
MID	1,230,310,425.35	1,230,279,994.95	(30,430.40)
MCO	94,421,500.00	94,421,500.00	-
Unilateral Disclosure by reporting Companies*	6,212,243,824.20	-	
Unilateral Disclosure by Government Agencies*	-	430,202,471.00	
<b>Total</b>	<b>74,912,635,914.63</b>	<b>49,602,647,067.63</b>	<b>(19,527,947,493.80)</b>

\*Unilateral disclosures are not subject to reconciliation.

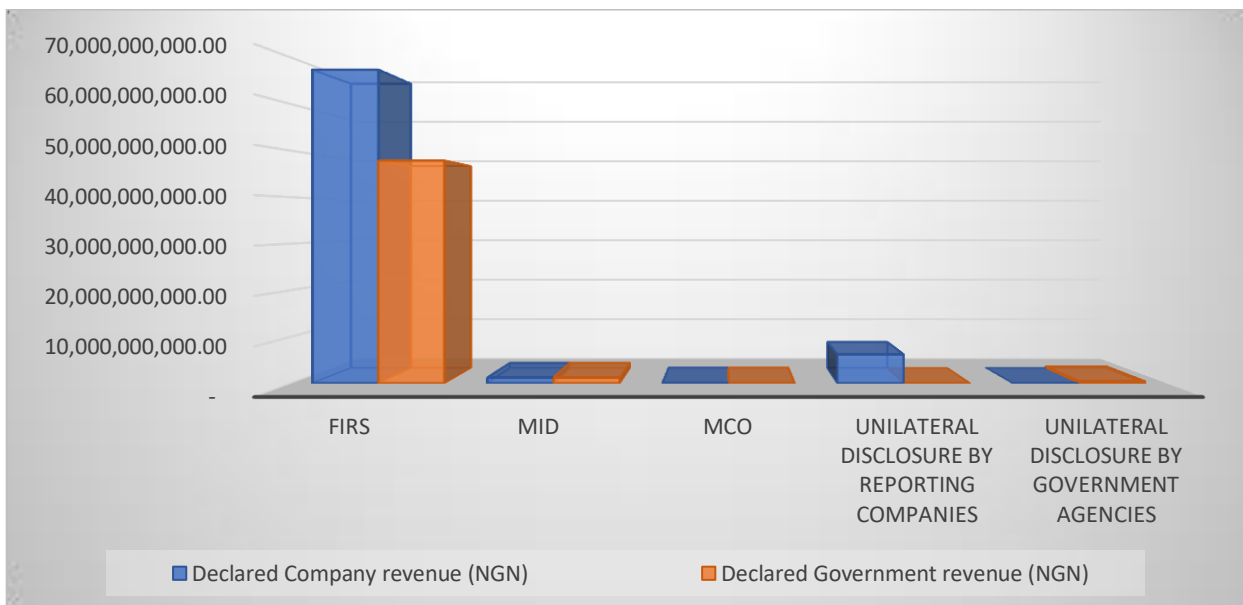


Figure 8: Declared Revenue by Companies and Government

Table 15: Unilateral disclosure of revenue by the extractive companies

Payment flows	Amount (NGN)
Federal Ministry of Environment	9,557,600.00
SBIR	4,723,612,680.76
LGA	76,678,402.40
Community/Landowners	1,402,046,641.04
Federal Ministry of Trade & Investment	348,500.00
<b>Total Unilateral to Company disclosure</b>	<b>6,212,243,824.20</b>

Table 16: Unilateral Disclosure by Government Entities

Government Agencies	Amount (NGN)
MID (Royalty & fees below Threshold)	122,006,471.00
MCO (Annual Service fees & Renewals)	308,196,000.00
<b>Total Solid Minerals Sector</b>	<b>430,202,471.00</b>

### 5.1.1 Financial flows to the Federation

Below is the summary of reconciled revenue collected by government entities in table 17

Table 17: Total confirmed receipts by government for 2014.

Government Entity	Declared Government revenue (NGN)	% of total payment
FIRS	47,847,743,101.68	97.3
MID	1,230,279,994.95	2.5
MCO	94,421,500.00	0.19
<b>Total Solid Mineral Sector</b>	<b>49,172,444,596.63</b>	<b>100</b>

### 5.1.2 Comparison of initial companies' templates with initial Government template

The initial templates submitted by the companies and Government were analysed and the result is as set out below:

Table 18: Comparison of initial companies' templates with initial Government template

S/N	Type of Payments/Receipts	INITIAL TEMPLATE		
		Company (NGN)	Government (NGN)	Difference (NGN)
<b>A</b>	<b>FIRS</b>			
1	VAT	26,277,823,305.53	6,869,810,636.70	(19,408,012,668.83)
2	CIT	12,478,395,493.45	561,632,620.73	(11,916,762,872.72)
3	EDT	1,628,254,702.58	2,253,752,743.83	625,498,041.25
4	WHT	26,064,624,375.20	6,802,663,059.94	(19,261,961,315.26)
5	Others PAYE (FCT)	619,760,108.30	1,182,172,390.61	562,412,282.31
7	<b>SUB-TOTAL</b>	<b>67,068,857,985.06</b>	<b>17,670,031,451.81</b>	<b>(49,398,826,533.25)</b>
<b>B</b>	<b>MCO</b>			-
1	Mining titles(s) application processing fee	210,000.00	210,000.00	-
2	Mining titles(s) annual service fees	31,791,000.00	87,601,500.00	55,810,500.00
3	Mining title(s) fee for processing of renewal application	150,000.00	1,100,000.00	950,000.00
4	Application for transfer mining titles fees	1,100,000.00	100,000.00	(1,000,000.00)
5	Application for relinquishment of mining title fees	10,000.00	-	(10,000.00)
	<b>SUB-TOTAL</b>	<b>33,261,000.00</b>	<b>89,011,500.00</b>	<b>55,750,500.00</b>
<b>C</b>	<b>MID</b>			-
1	Royalty	992,703,220.07	1,356,724,789.34	364,021,569.27
2	Blasting certificates	1,230,000.00	1,700,000.00	470,000.00
3	Permit to erect a magazine	1,470,000.00	1,040,000.00	(430,000.00)
4	Permit to mix ANFO	100,000.00	150,000.00	50,000.00
5	Licence to buy explosives	1,550,000.00	1,790,000.00	240,000.00
6	Explosives magazine licence	5,320,000.00	6,380,000.00	1,060,000.00
7	Permit to export minerals for commercial purposes	10,000.00	10,000.00	-
8	Registration, other permits	-	200,000.00	200,000.00
	<b>SUB-TOTAL</b>	<b>1,002,383,220.07</b>	<b>1,367,994,789.34</b>	<b>365,611,569.27</b>
	<b>TOTAL PAYMENTS/RECEIPTS</b>	<b>68,104,502,205.13</b>	<b>19,127,037,741.15</b>	<b>(48,977,464,463.98)</b>

A comparison of the initial template submitted by the covered extractive companies and government entities resulted in a huge difference of ₦48,977,464,463.98 before reconciliation exercise.

## 5.2 Sale of the State Share of Production or Other Revenue Collected in Kind

There were no sale of the state share of production or other revenues collected in kind during the year 2014 as there was no state participation in the sector during the year.

## 5.3 Infrastructure Provision and Barter Arrangements

In compliance with EITI Requirement 4.3 – *Infrastructure provisions and barter arrangements*, there were no arrangements in respect of Infrastructure and barter agreements during the year.

## 5.4 Transportation Revenues

No revenue from transportation of solid minerals accrued to the government and state-owned enterprises during the year.

## 5.5 Transaction Related to State-owned Enterprises

There were no transactions in respect of state-owned enterprises as there was no state participation in year 2014.

## 5.6 Sub-National Payments

Financial flows in respect of payments and receipts from the SBIR and Local Governments, includes the following:

Table 19: Sub-National Payments

S/N	Revenue Flows	Responsible Government Entity	Disclosure Responsibility	
			Extractive Companies	Government Entities
1	Annual surface rents (Grounds Rents)	State Board of Internal Revenue	39,647,503	N/A
2	National Inland Water Ways Authority (NIWA)		254,689,188	N/A
3	Pay As You Earn (PAYE)		4,691,586,943.59	N/A
4	Business Premises		1,297,500	N/A
4	Withholding Tax		375,988,038.04	N/A
5	Property Rates	Local Government Council	11,029660	N/A

## 5.7 Data disaggregation, timeliness and quality

Data have been disaggregated where possible and presented by individual companies, government entities and revenue streams in accordance with EITI Requirement 4.7. Unless otherwise stated, all figures are presented in Naira.

The usefulness of this report has been enhanced by a timely production of this report. However, in producing this report, we ensured that there is a balance between timeliness and reliability of the information contained therein.

We planned and performed our audit in accordance with ISA. We obtained all the information and explanations which we considered necessary to provide sufficient appropriate evidence to give reasonable assurance that the data provided are free from material misstatement.

Specifically, to ensure compliance with EITI Requirement 4.9 (2016), and satisfy ourselves that the data submitted for the audit exercise is credible, we organized validation meetings with the extractive companies and government entities covered in the audit. During these meetings, the covered entities were made to produce the original receipts and other related supporting documents/records for sighting with a view to confirming accuracy of the amounts declared.

## 6.0 Revenue Allocations

Revenue allocation of government is the distribution of the revenue that accrued to the government based on agreed revenue allocation principles and formula.

The National Budget is prepared in line with the National Chart of Account which is in compliance with the International Public Sector Accounting Standards (IPSAS) chart of account. This helps in achieving a purposeful driven budget with the platform for monitoring, evaluation and performance analysis. This conforms to international benchmarks for budgeting (World Bank and International Monitoring Fund).

### 6.1 Sub-National Transfers

Section 162 of the 1999 Constitution of the Federal Republic of Nigeria established the Federation Account. The Federation Account is a distributable pool account from which allocations are made to the Federal, State and Local Governments. All revenue collected by the Government of the Federation, except the proceeds from the PAYE of the personnel of the Armed Forces of the Federation, the Nigeria Police Force, Foreign Service Officers and Residents of the Federal Capital Territory, Abuja (which are paid into the CRF) are paid into the Federation Account. The current revenue allocation formula for non-mineral revenue is as follows:

- Federal Government 52.68%
- State Government 26.72%
- Local Government 20.60%

Section 162 of the 1999 Constitution also provided that, as a first line charge, an amount of not less than 13% accruing to the Federation Account directly from any natural resources shall be distributed to beneficiaries on the principle of derivation.

Mineral Revenue Sharing Formula:

- Federal Government 45.8316%
- State Government 23.2464%
- Local Government 17.9220%
- 13% Derivation 13.0000%

Table 20: Distribution Among Three Tiers Of Government: Gross Allocation

S/No.	BENEFICIARY	JULY, 2016	TOTAL
		₦	₦
1	Federal Government	4,547,876,555.57	4,547,876,555.57
2	State Governments	2,306,743,765.47	2,306,743,765.47
3	Local Governments	1,778,402,753.32	1,778,402,753.32
4	13% Derivation Share	1,289,991,953.64	1,289,991,953.64
<b>TOTAL</b>		<b>9,923,015,028.00</b>	<b>9,923,015,028.00</b>



## 6.1 Revenue Management and expenditure

In order to have a consistent and robust revenue and expenditure management, different policies and approaches had been adopted to ensuring sustainability of the nation's economy. In view of this, the Medium-Term Expenditure Framework (MTEF) and the Medium-Term Sector Strategies (MTSS) were incorporated into the budgeting process of the nation. Section 11 of the Fiscal Responsibility Act, 2007, provides legal backing for the MTEF and spells out the elements among which are: A Macroeconomic Framework and Fiscal Strategy Paper and an Expenditure and Revenue Framework. The MTEF is a process that aims at improving budget decision-making process so as to link government policies, priorities and requirements with limited resources. It is both a top-down and a bottom-up process: a top-down process of determining the 'resource envelope' for each sector and a bottom-up process of estimating the actual requirements for implementing policies, programmes and projects in each sector by Ministries, Departments and Agencies (MDAs). Usually, an MTEF includes the following:

- A medium-term fiscal framework setting out the aggregates;
- Estimates of the future costs of existing policy; and
- Sector strategies setting out sector and sub-sector priorities for future funding.

These are reflected in medium-term sector strategies (MTSS) prepared by each sector. The MTSS is a process for linking MDAs policies, budget, Monitoring and Evaluation and a tool for improving development outputs. Its reports are used as policy documents against which the MDAs' budget submissions are evaluated and resource envelopes given to them. It is a strategy for a sector that should allow it to deliver outputs that will contribute to cross-government outcomes, and it describes this strategy in the medium-term – probably three years – and within the limitations of resource constraints. This must be done in a way that clearly demonstrates how outputs will all contribute in the most effective and efficient way possible to the successful achievement of responsive, evidence-based outcome targets (policy statements). See link below for more information:

<http://www.budgetoffice.gov.ng/pdfs/FGN%20MTEF%20&%20FSP%202014-2016.pdf>

### 6.2.1 The Budgetary Process in Nigeria

The Federal Budget is a financial plan which spells out government's estimated revenue and proposed expenditure for a fiscal year, which runs from January 1 to December 31 fiscal year. According to section 81 of the Constitution of the Federal Republic of Nigeria 1999 as amended, "The President shall cause to be prepared and laid before each House of the National Assembly (NASS) at any time in each financial year estimates of the revenues and expenditure of the Federation for the next following financial year". Government revenue trends, policies and payment issues for the fiscal year are stated in the Federal Budget.

### 6.2.2 Government Revenue

The revenue of Government can be described as the amount of money that government makes within a fiscal year. The Nigerian Government generates its revenue through three main sources: extractive revenue (oil and gas and solid minerals revenue) to the Federation Account, Tax and Duty (company income tax, value added tax and customs duty) and other revenue from companies maintained by Government.

### **6.1.3 The Budget Preparation Process**

The budget preparation process is a shared responsibility between the Executive and the Legislature. The President is required by law to forward the budget proposal for the given year to the National Assembly. Upon approval by the NASS, it is returned to the President for assent after which it becomes the Appropriation Act. The budget process comprised four critical stages, i.e; drafting, legislative approval, implementation and; monitoring and evaluation.

The Executive articulate its vision and plans for the economy to the Federal Ministry of Finance (FMOF) and the Budget Office of the Federation (BOF), in order to be captured in the budget. The plans give details on government agenda on how to boost growth through infrastructure improvement, poverty reduction, among others. The Budget, under the law, is based on the MTEF which shows how government plans its revenue, expenditure, borrowing and fiscal balance for the next 3 years. Before the budget is submitted, a series of meetings between the Executive and the NASS with regards to the size and contents of the budget are discussed. This procedure guarantees that the budget reflects concerns of the public and that the goals of the government are properly captured in the budget.

### **6.1.4 Budget Implementation**

The implementation of the budget is carried out by the various Ministries, Departments and Agencies of the Federal Government. Funds for capital projects are released on a quarterly basis to the relevant Ministries, Departments and Agencies in line with the budget allocation.

### **6.1.5 Monitoring and Evaluation of the Federal Budget**

The oversight of budget implementation is the final stage of the budget process. The monitoring is carried out by the Federal Ministry of Finance, the National Planning Commission, the National Assembly, the National Economic Intelligence Agency, the Presidential Monitoring Committee, the Office of the Auditor General for the Federation and the Accountant General of the Federation. See the following links below:

<http://www.nationalplanning.gov.ng>; [www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng) and [www.oagf.gov.ng](http://www.oagf.gov.ng)

## 7.0 Social and Economic Spending

Social and economic spending relates to expenditures by companies in respect of CSR. CSR is based on the principle that companies are corporate citizens of the society and as such have some responsibilities to the society. There are voluntary and mandatory expenditures by companies in respect of CSR.

### 7.1 Social expenditures by extractive companies

The expenditure here consists of contributions made by extractive companies in respect of Corporate Social Responsibility. Information regarding social and economic spending by companies is presented below.

Table 21: Social expenditures by extractive companies

Social Responsibility Contributions by Covered Extractive Companies, 2014						
S/N	Company	Amount as reported by company ₦	Adjustment (if any) ₦	Total social responsibility ₦	Statutory contribution ₦	Voluntary contribution ₦
1	Zeberced	1,206,129.54	-	1,206,129.54	1,206,129.54	-
2	West Africa Portland Cement	261,060,150.00	-	261,060,150.00	261,060,150.00	-
3	Unicem	200,000,000.00	-	200,000,000.00	200,000,000.00	-
4	Traicta	40,787,882.00	-	40,787,882.00	31,878,882.00	8,909,000.00
5	Tongyi	6,500,000.00	-	6,500,000.00	6,500,000.00	-
6	Salini	130,000.00	-	130,000.00		130,000.00
7	Procelaiwares	1,790,000.00	-	1,790,000.00	1,390,000.00	400,000.00
8	Mothercat	650,000.00	-	650,000.00	-	650,000.00
9	Levant	7,920,000.00	-	7,920,000.00	-	7,920,000.00
10	Kopek	860,000.00	-	860,000.00		860,000.00
11	Hitech	-	-	17,000,000.00	16,750,000.00	250,000.00
12	Gitto	4,500,000.00	250,000.00	4,250,000.00	4,250,000.00	-
13	Giorgio rock	6,100,000.00	200,000.00	5,900,000.00	3,600,000.00	2,300,000.00
14	Gilmor	-	-	500,000.00	500,000.00	-
15	Dangote	26,210,903.60	-	26,210,903.60	11,025,166.50	15,185,737.10
16	CNC	3,450,000.00	-	3,450,000.00	2,500,000.00	950,000.00
17	CCNN	18,758,450.00	-	18,758,450.00		18,758,450.00
18	Brothers quarry	5,300,000.00	-	5,300,000.00	5,300,000.00	-
19	Asphalt Unity	112,669,870.00	-	112,669,870.00	62,418,000.00	50,251,870.00
20	Ashacement	59,761,027.00	-	59,761,027.00	59,452,027.00	309,000.00
21	Others	NC	NC	NC	NC	NC
	<b>Total</b>	<b>757,654,412.14</b>	<b>450,000.00</b>	<b>774,704,412.14</b>	<b>667,830,355.04</b>	<b>106,874,057.10</b>

Data

provided in the table were reconciled

### 7.2 Quasi fiscal expenditures

There were no quasi-fiscal expenditure in the year 2014 as state participation in the solid minerals industry was nil.

### 7.3 The contribution of the Extractive sector to the Economy

#### 7.3.1 Contribution to Gross Domestic Product

Total GDP at Current Basic Price was ₦89,043,615.26 million in 2014. However, total contribution to GDP from solid minerals in 2014 was ₦100,271.30 million giving a percentage contribution of 0.11% as shown below.

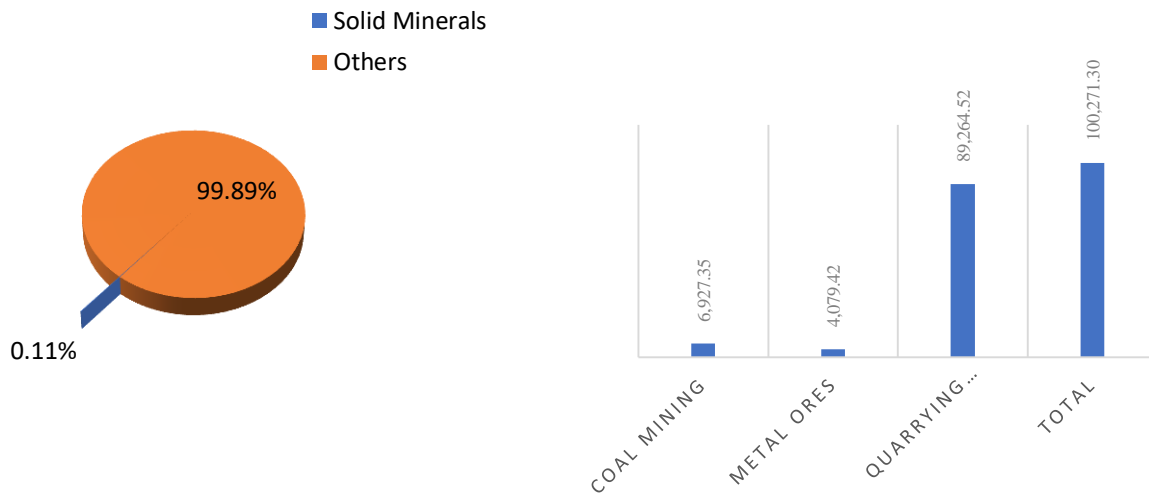
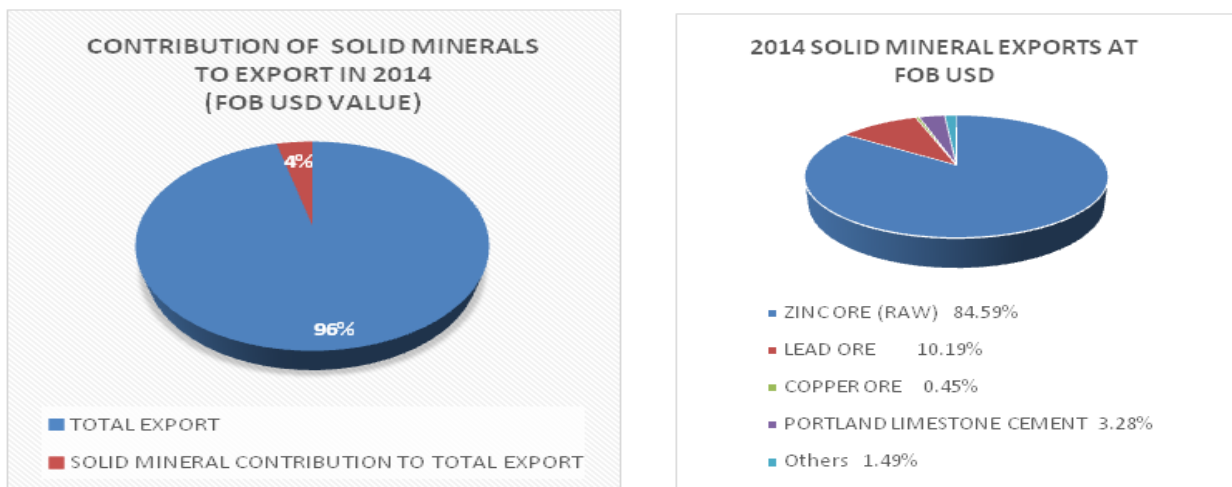


Figure 9: Solid Minerals Contribution to GDP, 2014.

#### 7.3.2 Contribution to Export

Nigeria’s total export at FOB in 2014 was USD\$2,497,445,196.64 excluding oil and gas. However, solid minerals accounted for about 4% of the total export.



10: Contribution to Export  
Source: Nigeria Custom Service

Source: Nigeria Custom Service

### 7.3.3 Contribution to Employment

The solid minerals sector at the moment is contributing less than the proportion it should have done if the sector is given the necessary attention. Specifically, the sector is presently dominated by unskilled artisanal small scale miners. Organised mining activities are restricted to a few operators in the sector. However, the employment statistics for the 39 entities within materiality threshold and comparative figures for 2013 is presented below.

Table 22: Employment Statistics Within Materiality Threshold			
Employment Statistics Within Materiality Threshold	2014	2013	% Change
National	5,047	15,753	(67.96)
Expatriate	1,328	722	83.93
Local	7,383	NA	-
<b>Total</b>	<b>13,758</b>	<b>16,475</b>	<b>(16.49)</b>

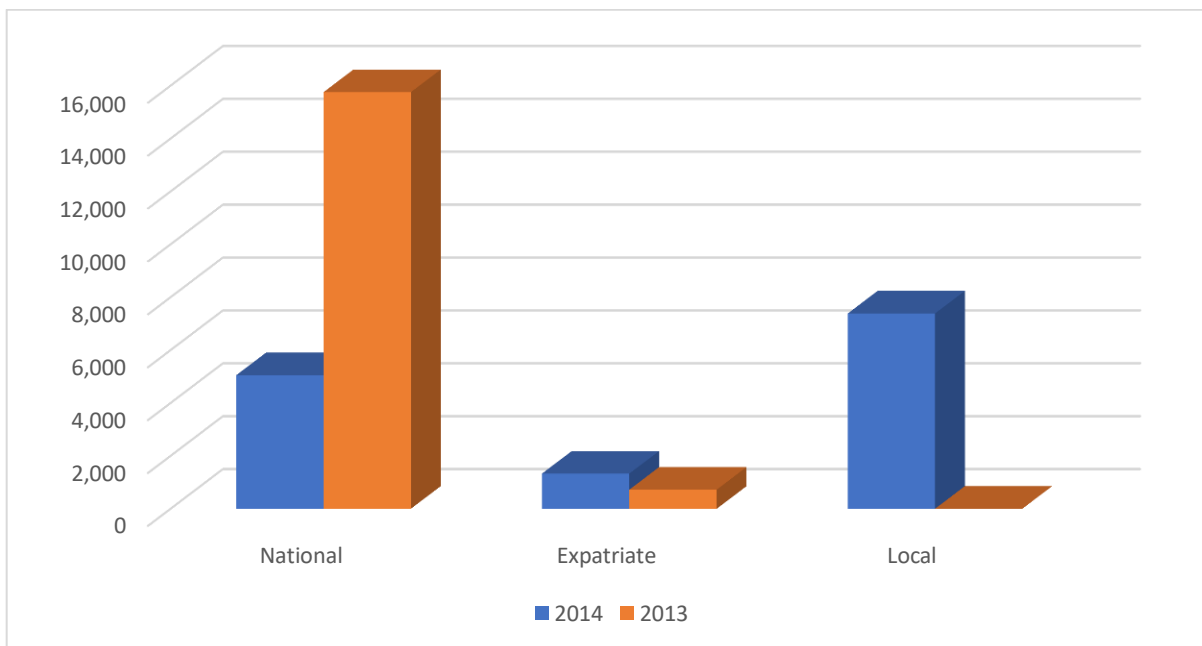


Figure 11: Employment Statistics within Materiality Threshold

The decline of 16.49% in total employment within materiality threshold may be due to the fact that fewer entities were covered within materiality in 2014. For full details of employment within the materiality threshold see **Appendix 2**

## 8.0 Outcome of Reconciliation, Verification and Validation

### 8.1 Reporting by covered extractive entities

We carried out reconciliation of the data on the initial templates from the extractive companies and Government agencies and validated these data to their respective source documents during our visits to the covered entities and brought out the differences. Some of these differences were resolved at the tripartite meeting held in Lagos, Port-Harcourt and Abuja.

Set out below is the outcome of our reconciliation carried out for all the companies that met the threshold.

Table 23: Summary of Payments declared by the extractive companies

Covered Entities	Declared Company revenue (NGN)	% of Total Payment
FIRS	67,375,660,165.08	91.2880
MID	123,310,425.35	0.1671
MCO	94,421,500.00	0.1279
<b>Sub-Total</b>	<b>67,593,392,090.43</b>	
<b>Companies unilateral disclosure of revenues:</b>		
Federal Ministry of Environment	9,557,600.00	0.0129
SBIR	4,723,612,680.76	6.4001
LGA	76,678,402.40	0.1039
Community/Landowners	1,402,046,641.04	1.8996
Federal Ministry of Trade & Investment	348,500.00	0.0005
<b>Sub-Total</b>	<b>6,212,243,824.20</b>	
<b>Total Solid Mineral Sector</b>	<b>73,805,635,914.63</b>	<b>100</b>
Reconciled revenues	49,172,444,596.63	66.6242
Not reconciled	24,633,191,318.00	33.3758
<b>Total Solid Mineral Sector</b>	<b>73,805,635,914.63</b>	<b>100</b>

Table 24: Summary of revenue declared by Government Agencies

Government Entity	Declared Government revenue (NGN)	% of total payment
FIRS	47,847,743,101.68	96.46
MID	1,230,279,994.95	2.48
MCO	94,421,500.00	0.19
<b>Sub-Total (A)</b>	<b>49,172,444,596.63</b>	
<b>Unilateral disclosure by government entities:</b>		
MID (Royalty & fees below Threshold)	122,006,471.00	0.25
MCO (Annual Service fees & Renewals)	308,196,000.00	0.62
<b>Sub-Total (B)</b>	<b>430,202,471.00</b>	
<b>Grand Total (A+B)</b>	<b>49,602,647,067.63</b>	<b>100</b>
Reconciled Revenue	49,172,444,596.63	99.13
Unreconciled Revenue	430,202,471.00	0.87
<b>Total Revenue</b>	<b>49,602,647,067.63</b>	<b>100.00</b>

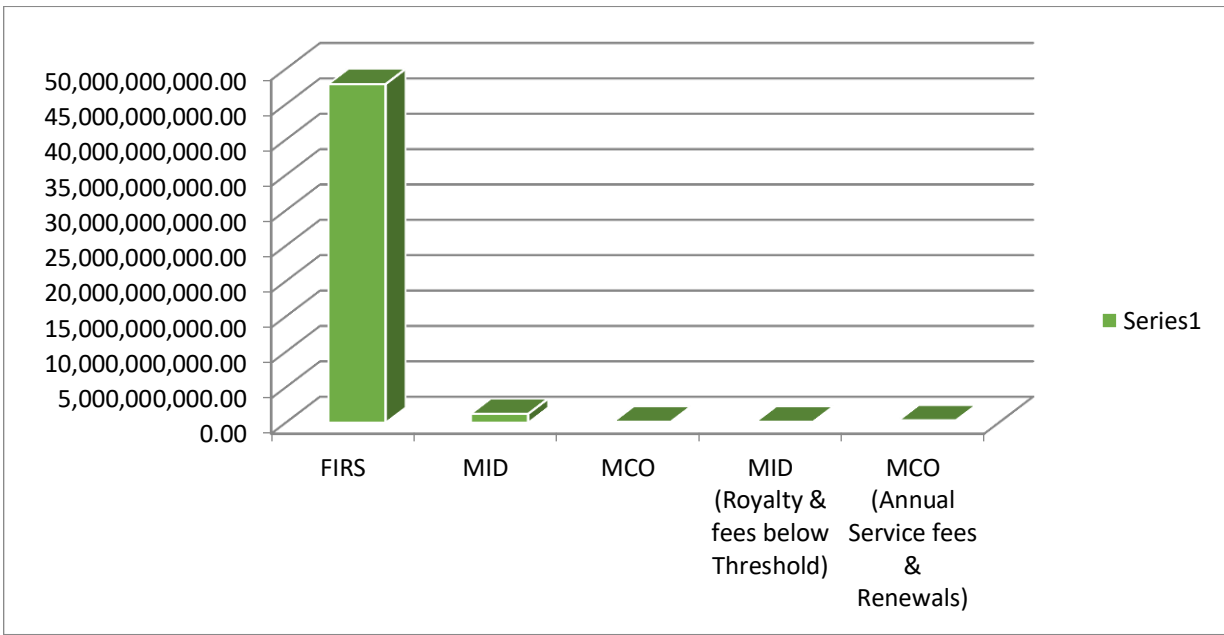


Figure 12: Government Declared Revenue

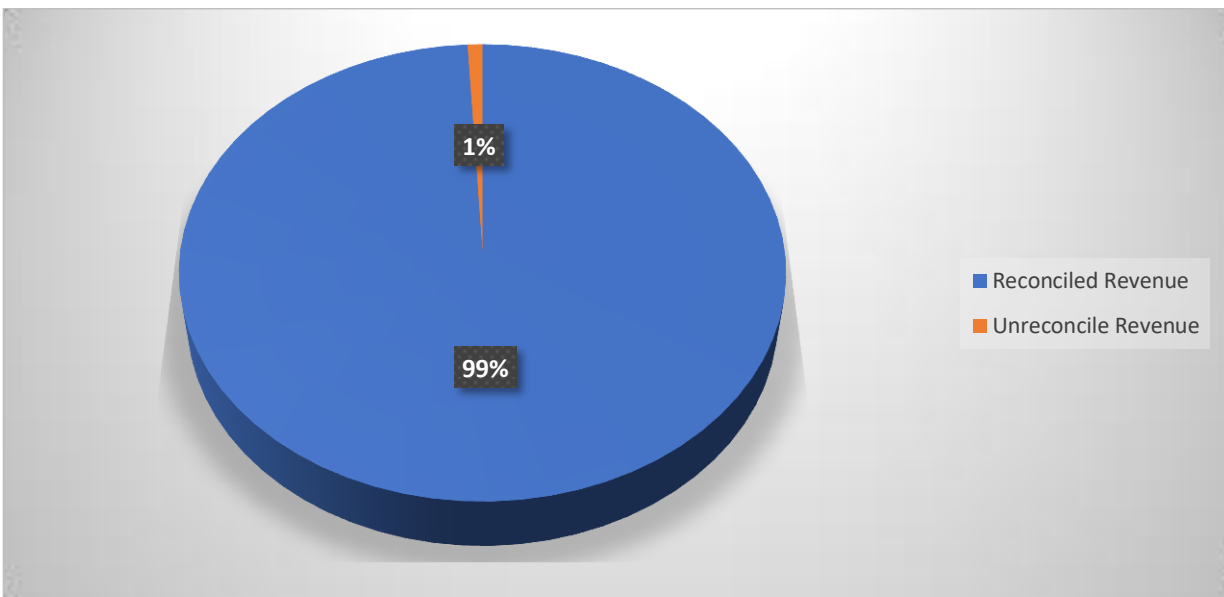


Figure 13: Government Declared Revenue

Table 25: Reporting by Extractive Covered Entities										
S/N	Company	INITIAL TEMPLATE (NGN)			ADJUSTMENT (NGN)			FINAL (NGN)		
		Company	Government	Difference	Company	Government	Difference	Company	Government	Difference
		(a)	(b)	(c) = (b - a)	(d)	(e)	(f) = (e - d)	(g)	(h)	(i) = (h - g)
1	Arab Contractors Ltd	1,239,391,328.01	771,030,192.04	(468,361,135.97)	3,030,000.00	200,000.00	(2,830,000.00)	1,242,421,328.01	771,230,192.04	(471,191,135.97)
2	Ashakacem Plc	1,281,376,724.73	256,181,190.78	(1,025,195,533.95)	5,991,575.00	286,534,725.00	280,543,150.00	1,287,368,299.73	542,715,915.78	(744,652,383.95)
3	Asphalt Unity Construction Ltd	54,153,308.84	14,580,599.16	(39,572,709.68)	(39,007,145.42)	615,563.84	39,622,709.26	15,146,163.42	15,196,163.00	49,999.58
4	Brothers Quarry	6,829,350.05	5,149,000.00	(1,680,350.05)	791,770.00	40,000.00	(751,770.00)	7,621,120.05	5,189,000.00	(2,432,120.05)
5	C.G.C. Nig. Ltd	76,392,043.97	38,331,582.75	(38,060,461.22)	3,738,500.00	-	(3,738,500.00)	80,130,543.97	38,331,582.75	(41,798,961.22)
6	CCECC Nigeria Limited	1,892,230,702.29	1,195,838,196.61	(696,392,505.68)	11,332,786.00	(42,880,578.52)	(54,213,364.52)	1,903,563,488.29	1,152,957,618.09	(750,605,870.20)
7	Cement Company Of Northern Nigeria (CCNN) Plc	1,350,401,374.83	1,725,973,568.02	375,572,193.19	(687,925.00)	(165,067,470.00)	(164,379,545.00)	1,349,713,449.83	1,560,906,098.02	211,192,648.19
8	CNC Engineering Company Ltd	19,106,002.00	11,178,863.00	(7,927,139.00)	2,699,340.00	-	(2,699,340.00)	21,805,342.00	5,189,863.00	(10,626,479.00)
9	Crushed Rock	132,793,780.78	75,949,394.03	(56,844,386.75)	2,977,550.00	-	(2,977,550.00)	135,771,330.78	75,949,394.03	(59,821,936.75)
10	Dangote Cement Plc	19,064,295,442.77	934,169,124.75	(18,130,126,318.02)	295,247,239.49	18,110,401,082.12	17,815,153,842.63	19,359,542,682.26	19,044,570,206.87	(314,972,475.39)
11	Dantata & Sawoe	1,494,605,037.04	450,657,697.82	(1,043,947,339.22)	112,222,246.00	414,175,689.00	301,953,443.00	1,606,827,283.04	864,833,386.82	(741,993,896.22)
12	Equishare Nig Ltd	9,245,600.00	9,560,445.40	314,845.40	314,845.40	-	(314,845.40)	9,560,445.40	9,560,445.40	-
13	FW San He Concepts Limited	4,088,173.00	5,186,123.00	1,097,950.00	1,075,450.00	20,000.00	(1,055,450.00)	5,163,623.00	5,206,123.00	42,500.00
14	Georgio Rocks Ltd	64,841,335.85	62,566,566.42	(2,274,769.43)	1,000,000.00	4,124,270.77	3,124,270.77	65,841,335.85	66,690,837.19	849,501.34
15	Gilmor Engineering Ltd	612,765,457.17	180,396,123.60	(432,369,333.57)	9,855,832.41	70,000.00	(9,785,832.41)	622,621,289.58	180,466,123.60	(442,155,165.98)
16	Gitto Costruzioni	49,664,658.34	4,039,218.65	(45,625,439.69)	717,078.85	925,304,619.87	924,587,541.02	50,381,737.19	929,348,838.52	878,962,101.33
17	Hitech Construction Ltd	7,165,849.73	165,307,352.76	158,141,503.03	5,154,038.52	4,214,440.00	(939,598.52)	12,319,888.25	169,521,792.76	157,201,904.51
18	Jia Bao Quarry Ltd	3,039,883.01	6,758,130.83	3,718,247.82	1,091,721.49	-	(1,091,721.49)	4,131,604.50	6,758,130.83	2,626,526.33
19	Julius Berger	5,373,349,025.45	4,214,052,684.93	(1,159,296,340.52)	1,115,080.00	4,244,138,937.02	4,243,023,857.02	5,374,464,105.45	8,458,191,621.95	3,083,727,516.50
20	Kopek Construction Nig Ltd	258,370,424.34	120,587,091.93	(137,783,332.41)	570,646.00	-	(570,646.00)	258,941,070.34	120,587,091.93	(138,353,978.41)
21	Levant Construction Ltd	303,013,348.42	109,771,842.70	(193,241,505.72)	(570,000.00)	173,657,549.10	174,227,549.10	302,443,348.42	283,429,391.80	(19,013,956.62)
22	Madodel Engineering Ltd	3,784,000.00	3,784,000.00	-	-	-	-	3,784,000.00	3,784,000.00	-
23	Mothercat Ltd	4,426,294,015.36	482,409,394.70	(3,943,884,620.66)	17,383,904.00	-	(17,383,904.00)	4,443,677,919.36	482,409,394.70	(3,961,268,524.66)
24	Niger Construction Ltd	3,333,500.00	76,391,698.00	73,058,198.00	-	-	-	3,333,500.00	76,391,698.00	73,058,198.00
25	Perfect Stone Quarries Limited	10,341,247.85	5,147,520.00	(5,193,727.85)	10,000.00	-	(10,000.00)	10,351,247.85	5,147,520.00	(5,203,727.85)
26	Petra Quarries Ltd	81,667,456.00	81,414,364.36	(253,091.64)	776,488.00	851,314.00	74,826.00	82,443,944.00	82,265,678.36	(178,265.64)
27	Porcelainware Industries Ltd	24,697,465.00	9,602,800.00	(15,094,665.00)	3,241,800.00	52,623,367.76	49,381,567.76	27,939,265.00	62,226,167.76	34,286,902.76
28	Prodeco Limited	5,113,618.00	7,113,618.00	2,000,000.00	170,000.00	(1,830,000.00)	(2,000,000.00)	5,283,618.00	5,283,618.00	-
29	PW Nigeria Limited	1,882,545,507.26	169,555,396.26	(1,712,990,111.00)	1,309,583.71	261,535,684.00	260,226,100.29	1,883,855,090.97	431,091,080.26	(1,452,764,010.71)
30	Ratcon Construction Company Limited	116,957,904.14	153,701,589.38	36,743,685.24	9,855,000.00	-	(9,855,000.00)	126,812,904.14	153,701,589.38	26,888,685.24
31	Reynolds Construction Company Nigeria Limited	1,730,810,073.60	50,379,148.00	(1,680,430,925.60)	7,482,021.00	1,952,021,145.79	1,944,539,124.79	1,738,292,094.60	2,002,400,293.79	264,108,199.19
32	Salini Nig Ltd	1,191,923,853.77	351,273,119.44	(840,650,734.33)	4,160,773.35	267,848,455.28	263,687,681.93	1,196,084,627.12	619,121,574.72	(576,963,052.40)
33	Sec Nigeria Limited	25,331,678.00	126,676,897.53	101,345,219.53	5,650,518.60	(765,420.00)	(6,415,938.60)	30,982,196.60	125,911,477.53	94,929,280.93
34	Setraco Nigeria Limited	1,485,915,352.00	1,002,184,860.03	(483,730,491.97)	14,324,606.60	846,983,276.55	832,658,669.95	1,500,239,958.60	1,849,168,136.58	348,928,177.98
35	Tongyi Allied Mining	12,743,440.00	12,819,388.00	75,948.00	210,000.00	-	(210,000.00)	12,953,440.00	12,819,388.00	(134,052.00)
36	Triacta Nigeria Limited	352,429,506.70	132,928,237.26	(219,501,269.44)	633,500.00	1,011,762.00	378,262.00	353,063,066.70	133,939,999.26	(219,123,067.44)
37	Unicem	2,934,873,881.86	86,588,249.40	(2,848,285,632.46)	13,984,625.00	2,707,814,081.90	2,693,829,456.90	2,948,858,506.86	2,794,402,331.30	(154,456,175.56)
38	West Africa Portland Cement	20,464,445,677.41	5,951,805,525.46	(14,512,640,151.95)	97,986,436.30	-	(97,986,436.30)	20,562,432,113.71	5,951,805,525.46	(14,610,626,588.25)
39	Zeberced Limited	54,175,177.56	65,996,946.15	11,821,768.59	50,000.00	1,764,360.00	1,714,360.00	54,225,177.56	67,761,306.15	13,536,128.59
	<b>TOTAL</b>	<b>68,104,502,205.13</b>	<b>19,127,037,741.15</b>	<b>(48,977,464,463.98)</b>	<b>595,889,885.30</b>	<b>30,045,406,855.48</b>	<b>29,449,516,970.18</b>	<b>68,700,392,090.43</b>	<b>49,172,444,596.63</b>	<b>(19,527,947,493.80)</b>



The high variance of N19.528billion arising from FIRS data is attributable to the following reasons:

- CIT payments for most of the construction companies were not captured in the FIRS portal due to system upgrade during the year 2014.
- Lack of synergy between the state FIRS offices and headquarter.

However, in order to close the difference, a manual reconciliation with the state offices is on-going at the time of this report.

## **8.2 Report of Payments and Receipts by stream types**

The table below shows the payments made by covered entities and receipts by government based on by revenue streams.

Table 26: Reporting of Payments and Receipts by Revenue Stream Type

Reporting by Payment and Revenue Streams Type										
SN	Type of Payments/Receipts	INITIAL TEMPLATE (NGN)			ADJUSTMENT (NGN)			FINAL (NGN)		
		Company	Government	Difference	Company	Government	Difference	Company	Government	Difference
<b>A</b>	<b>FIRS</b>									
1	VAT	26,277,823,305.53	6,869,810,636.70	(19,408,012,668.83)	(8,682,823.56)	19,788,206,639.08	19,796,889,462.64	26,269,140,481.97	26,658,017,275.78	388,876,793.81
2	CIT	12,478,395,493.45	561,632,620.73	(11,916,762,872.72)	220,553,806.00	7,720,119,506.66	7,499,565,700.66	12,698,949,299.45	8,281,752,127.39	(4,417,197,172.06)
3	EDT	1,628,254,702.58	2,253,752,743.83	625,498,041.25	106,984,018.00	379,011,583.49	272,027,565.49	1,735,238,720.58	2,632,764,327.32	634,316,747.11
4	WHT	26,064,624,375.20	6,802,663,059.94	(19,261,961,315.26)	(12,052,820.42)	3,472,546,311.25	3,484,599,131.67	26,052,571,554.78	10,275,209,371.19	(15,777,362,183.59)
5	Others PAYE (FCT)	619,760,108.30	1,182,172,390.61	562,412,282.31	-	(1,182,172,390.61)	(1,182,172,390.61)	619,760,108.30	-	(619,760,108.30)
	<b>SUB-TOTAL</b>	<b>67,068,857,985.06</b>	<b>17,670,031,451.81</b>	<b>(49,398,826,533.25)</b>	<b>306,802,180.02</b>	<b>30,177,711,649.87</b>	<b>29,870,909,469.85</b>	<b>67,375,660,165.08</b>	<b>47,847,743,101.68</b>	<b>(19,527,917,063.40)</b>
<b>B</b>	<b>MCO</b>			-						
1	Mining titles(s) application processing fee	210,000.00	210,000.00	-	-	-	-	210,000.00	210,000.00	-
2	Mining titles(s) annual service fees	31,791,000.00	87,601,500.00	55,810,500.00	60,210,500.00	4,400,000.00	(55,810,500.00)	92,001,500.00	92,001,500.00	-
3	Mining title(s) fee for processing of renewal application	150,000.00	1,100,000.00	950,000.00	950,000.00	-	(950,000.00)	1,100,000.00	1,100,000.00	-
4	Application for transfer mining titles fees	1,100,000.00	100,000.00	(1,000,000.00)	-	1,000,000.00	1,000,000.00	1,100,000.00	1,100,000.00	-
5	Application for relinquishment of mining title fees	10,000.00	-	(10,000.00)	-	10,000.00	10,000.00	10,000.00	10,000.00	-
	<b>SUB-TOTAL</b>	<b>33,261,000.00</b>	<b>89,011,500.00</b>	<b>55,750,500.00</b>	<b>61,160,500.00</b>	<b>5,410,000.00</b>	<b>(55,750,500.00)</b>	<b>94,421,500.00</b>	<b>94,421,500.00</b>	<b>-</b>
<b>C</b>	<b>MID</b>			-						
1	Royalty	992,703,220.07	1,356,724,789.34	364,021,569.27	224,967,205.28	(139,084,794.39)	(364,051,999.67)	1,217,670,425.35	1,217,639,994.95	(30,430.40)
2	Blasting certificates	1,230,000.00	1,700,000.00	470,000.00	650,000.00	180,000.00	(470,000.00)	1,880,000.00	1,880,000.00	-
3	Permit to erect a magazine	1,470,000.00	1,040,000.00	(430,000.00)	-	430,000.00	430,000.00	1,470,000.00	1,470,000.00	-
4	Permit to mix ANFO	100,000.00	150,000.00	50,000.00	80,000.00	30,000.00	(50,000.00)	180,000.00	180,000.00	-
5	Licence to buy explosives	1,550,000.00	1,790,000.00	240,000.00	450,000.00	210,000.00	(240,000.00)	2,000,000.00	2,000,000.00	-
6	Explosives magazine licence	5,320,000.00	6,380,000.00	1,060,000.00	1,580,000.00	520,000.00	(1,060,000.00)	6,900,000.00	6,900,000.00	-
7	Permit to export minerals for commercial purposes	10,000.00	10,000.00	-	-	-	-	10,000.00	10,000.00	-
8	Registration, other permits, etc	-	200,000.00	200,000.00	200,000.00	-	(200,000.00)	200,000.00	200,000.00	-
	<b>SUB-TOTAL</b>	<b>1,002,383,220.07</b>	<b>1,367,994,789.34</b>	<b>365,611,569.27</b>	<b>227,927,205.28</b>	<b>(137,714,794.39)</b>	<b>(365,641,999.67)</b>	<b>1,230,310,425.35</b>	<b>1,230,279,994.95</b>	<b>(30,430.40)</b>
	<b>TOTAL PAYMENTS/RECEIPTS</b>	<b>68,104,502,205.13</b>	<b>19,127,037,741.15</b>	<b>(48,977,464,463.98)</b>	<b>595,889,885.30</b>	<b>30,045,406,855.48</b>	<b>29,449,516,970.18</b>	<b>68,700,392,090.43</b>	<b>49,172,444,596.63</b>	<b>(19,527,947,493.80)</b>

### 8.3 Reporting companies unilateral disclosure of revenues

Table 27 represents amount paid by companies to government for which no reconciliation exercise was carried out (unilateral disclosure by companies).

Table 27: Unilateral Disclosure by Extractive Companies

Unilateral Disclosure by Extractive Companies							
S/N	Company	SBIR	LGA	Community	FME	FMITI	Total
1	Zeberced	436,590.94	665,000.00				1,101,590.94
2	West Africa Portland Cement		5,000,000.00				5,000,000.00
3	Traicta	60,000.00	4,680,000.00	6,541,000.00	3,800,000.00		15,081,000.00
4	Tongyi	5,333,712.00					5,333,712.00
5	Setraco	45,102,971.00					45,102,971.00
6	SCC		370,000.00				370,000.00
7	RCC	476,266,140.00				348,500.00	476,614,640.00
8	Petra Quarries Ltd	1,574,216.00		6,440,000.00			8,014,216.00
9	P.W Nigeria Ltd	284,908,243.83					284,908,243.83
10	Mothercat		600,000.00	1,800,000.00	4,300,000.00		6,700,000.00
11	Madodel Engineering	110,782.60					110,782.60
12	Levant	5,735,479.42	300,000.00				6,035,479.42
13	Kopek	100,000.00			1,457,600.00		1,557,600.00
14	Julius Berger	2,719,867,216.44					2,719,867,216.44
15	Hitech	3,638,150.56					3,638,150.56
16	Gitto	17,361,905.97	1,800,000.00				19,161,905.97
17	Giorgio Rocks	6,708,883.00	1,000,000.00				7,708,883.00
18	Gilmor			250,000.00			250,000.00
19	Dantata & Sawoe	254,389,188.00					254,389,188.00
20	Dangote	623,198,250.75	4,659,542.40				627,857,793.15
21	CNC	1,358,300.00					1,358,300.00
22	CCNN	36,414,016.21	200,250.00	1,387,015,641.04			1,423,629,907.25
23	CCECC		5,659,660.00				5,659,660.00
24	Brothers Quarry	1,434,053.00	500,000.00				1,934,053.00
25	Ashaka Cement	239,614,581.04	51,243,950.00				290,858,531.04
	<b>TOTAL</b>	4,723,612,680.76	76,678,402.40	1,402,046,641.04	9,557,600.00	348,500.00	6,212,243,824.20

### 8.4 Government Entities unilateral disclosure of revenues

Table 28 represents revenue received by government for which no reconciliation exercise was carried out (unilateral disclosure by government agencies).

Government Agencies	Amount (₦)
MID (Royalty & fees below Threshold)	122,006,471.00
MCO (Annual service fees and renewals)	308,196,000.00
<b>Total Solid Minerals Sector</b>	<b>430,202,471.00</b>

### 8.5 Other Payments and Receipts not included in the reconciliation scope for 2014

The payment and receipts set out in table 29 below, relates to those for which reconciliation exercise were not carried out based on the TOR.

Table 29: Other payments and receipts not included in the reconciliation scope, 2014.

S/No	Company	Federal Ministry of Trade and Investment	Federal Ministry of Environment	SBIR	LGA	Community	Total
1	Zeberced	-		436,590.94	665,000.00		1,101,590.94
2	West Africa Portland Cement				5,000,000.00		5,000,000.00
3	Traicta		3,800,000.00	60,000.00	4,680,000.00	6,541,000.00	15,081,000.00
4	Tongyi			5,333,712.00			5,333,712.00
5	Setraco			45,102,971.00			45,102,971.00
6	SCC				370,000.00		370,000.00
7	RCC	348,500.00		476,266,140.00			476,614,640.00
8	Petra Quarries Ltd			1,574,216.00		6,440,000.00	8,014,216.00
9	P.W Nigeria Ltd			284,908,243.83			284,908,243.83
10	Mothercat		4,300,000.00		600,000.00	1,800,000.00	6,700,000.00
11	Madodel Engineering			110,782.60			110,782.60
12	Levant			5,735,479.42	300,000.00		6,035,479.42
13	Kopek		1,457,600.00	100,000.00			1,557,600.00
14	Julius Berger			2,719,867,216.44			2,719,867,216.44
15	Hitech			3,638,150.56			3,638,150.56
16	Gitto			17,361,905.97	1,800,000.00		19,161,905.97
17	Giorgio Rocks			6,708,883.00	1,000,000.00		7,708,883.00
18	Gilmor					250,000.00	250,000.00
19	Dantata & Sawoe			254,389,188.00			254,389,188.00
20	Dangote			623,198,250.75	4,659,542.40		627,857,793.15
21	CNC			1,358,300.00			1,358,300.00
22	CCNN			36,414,016.21	200,250.00	1,387,015,641.04	1,423,629,907.25
23	CCECC				5,659,660.00		5,659,660.00
24	Brothers Quarry			1,434,053.00	500,000.00		1,934,053.00
25	Ashaka Cement			239,614,581.04	51,243,950.00		290,858,531.04
	<b>TOTAL</b>	<b>348,500.00</b>	<b>9,557,600.00</b>	<b>4,723,612,680.76</b>	<b>76,678,402.40</b>	<b>1,402,046,641.04</b>	<b>6,212,243,824.20</b>

### 8.6 Royalty Validation

We reviewed and reconciled the production volumes, schedule of production by fields and royalty rates used for the computation of Royalty by the company and MID’s calculations.

We carried out a reconciliation of production volume between the companies and MID for the year under review in order to satisfy ourselves that the volume/quantity used for the computation of Royalty are in line with MID’s official definition of volume/quantity of production that should be used for the calculation of Royalty. That is, volume/quantity used or sold.

The total Royalty paid by the companies and received by Government in 2014 was 1,339,677,175.98. The breakdown of the major Payee companies are as follows:

Table 30: Analysis of Royalties Paid by Companies in 2014, Based on Threshold

S/N	Threshold (NGN)	Number of Companies	Amount Paid (NGN)	% Royalty
1	100M and above	2	507,972,176.45	37.92
2	50M but less than 100M	3	224,936,900.40	16.79
3	10M but less than 50M	18	388,432,131.13	28.99
4	3M but less than 10M	16	96,329,497.37	7.19
5	Less than 3M	459	122,006,470.60	9.11
<b>Total</b>		<b>498</b>	<b>1,339,677,175.95</b>	<b>100.00</b>

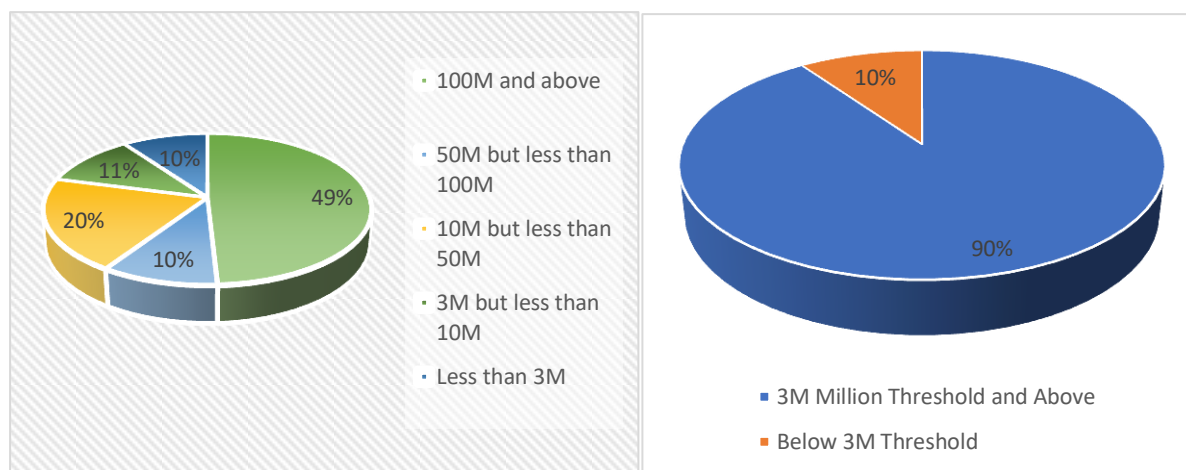


Figure 14: Analysis of Royalties Paid By Companies in 2014 Based on Threshold

The payments made by the companies and the amount received by the relevant Government agencies after validation and reconciliation is summarized in the tables below.

Table 31: Royalty Paid and Received

S/N	Company Name	Royalty Paid by Companies (NGN)	Royalty Received by Government (NGN)	Unreconciled Difference (NGN)
	A	b	c	d = (c - b)
1	Arab Contractors Ltd	18,730,669.64	18,730,669.64	-
2	Ashakacem Plc	50,504,466.00	50,504,466.00	-
3	Asphalt Unity Construction Ltd	6,052,709.40	6,052,709.40	-
4	Brothers Quarry	3,569,000.00	3,569,000.00	-
5	C.G.C. Nig. Ltd	10,963,680.57	10,963,680.57	-
6	CCECC Nigeria Limited	13,928,626.00	13,928,626.00	-
7	Cement Company Of Northern Nigeria (CCNN) Plc	16,208,525.00	16,207,705.00	(820.00)
8	CNC Engineering Company Ltd	7,861,130.00	7,861,130.00	-
9	Crushed Rock	31,383,700.00	31,383,150.00	(550.00)
10	Dangote Cement Plc	391,833,386.95	391,833,386.95	-
11	Dantata&Sawoe	19,424,466.00	19,424,466.00	-
12	EquishareNig Ltd	9,400,445.40	9,400,445.40	-
13	FW San He Concepts Limited	4,022,210.00	4,022,210.00	-
14	Georgio Rocks Ltd	16,671,950.00	16,671,950.00	-
15	Gilmor Engineering Ltd	17,231,971.11	17,231,971.11	-
16	GittoCostruzioni	3,949,218.65	3,949,218.65	-
17	Hitech Construction Ltd	9,331,268.57	9,331,268.57	-
18	JiaBao Quarry Ltd	1,675,000.00	1,675,000.00	-
19	Julius Berger	99,694,185.00	99,694,185.00	-
20	Kopek ConstructionNig Ltd	21,895,476.00	21,895,476.00	-
21	Levant Construction Ltd	4,850,000.00	4,850,000.00	-
22	Madodel Engineering Ltd	3,784,000.00	3,784,000.00	-
23	Mothercat Ltd	10,898,800.00	10,898,800.00	-
24	Niger Construction Ltd	3,013,500.00	3,013,500.00	-
25	Perfect Stone Quarries Limited	4,797,520.00	4,797,520.00	-
26	Petra Quarries Ltd	12,086,769.00	12,086,769.00	-
27	Porcelainware Industries Ltd	9,542,800.00	9,542,800.00	-
28	Prodeco Limited	5,113,618.00	5,113,618.00	-
29	PW Nigeria Limited	28,059,086.21	28,059,086.21	-
30	Ratcon Construction Company Limited	24,864,500.00	24,864,500.00	-
31	Reynolds Construction Company Nigeria Limited	49,349,148.00	49,349,148.00	-
32	SaliniNig Ltd	9,584,077.35	9,584,077.35	-
33	SCC Nigeria Limited	29,072,196.60	29,042,856.60	(29,340.00)
34	Setraco Nigeria Limited	40,511,314.60	40,511,314.60	-
35	Tongyi Allied Mining	9,783,000.00	9,783,000.00	-
36	Triacta Nigeria Limited	12,907,184.00	12,907,184.00	-
37	Unicem	74,738,249.40	74,738,249.40	-
38	West Africa Portland Cement	116,138,789.50	116,138,789.50	-
39	Zeberced Limited	14,244,068.40	14,244,068.40	-
40	Others (Below Materiality Threshold)	122,006,470.60	122,006,470.60	-
	<b>Total</b>	<b>1,339,677,175.95</b>	<b>1,339,646,465.95</b>	<b>(30,710.00)</b>

## 8.7 Adjustments Made during the Reconciliation, Verification and Validation

Adjustments refers to amounts added to or deducted from companies and government declared figures where there are further evidences to substantiate such payments/or receipts.

### 8.7.1 Company's Adjustments

Where evidences are provided by the company and such evidences are supported by the relevant Government agency's records, adjustments are made to the template in favour of the company. Where however, items in the company template could not be substantiated by the company, necessary adjustments are made against the company. The summary of the adjustments made are set out below:

### 8.7.2 Summary of Adjustments made to Extractive Companies templates

Summarized below were the adjustments made to the companies' templates to arrive at their final figures

<b>Table 32: Adjustments made to Extractive Companies Templates</b>	
<b>Details</b>	<b>Amount (₦)</b>
Payments of Taxes that relate to Non-mining activities (i)	306,802,180.02
Payments made but not reported by the company (ii)	292,455,405.28
Payments made but relating to previous or period preceeding (Timing Difference i.e outside the period covered) (iii)	(39,269,142.70)
Total amount added/(deducted) to /from the initial amount reported by the company (iv)	35,901,442.70
<b>Total</b>	<b>595,889,885.30</b>

### 8.7.3 Adjustments made to company's templates for non-mining related activities

<b>Table 33: Taxes Other than Mining (i)</b>	
<b>Revenue Stream</b>	<b>Amount (₦)</b>
Value Added Tax (VAT)	(8,682,823.56)
Company Income Tax (CIT)	220,553,806.00
Education Tax (EDT)	106,984,018.00
Withholding Tax (WHT)	(12,052,820.42)
PAYE (FCT)	-
<b>Total</b>	<b>306,802,180.02</b>

This is further broken down by company:

Table 34: Taxes other than mining by companies

<b>Company</b>	<b>Amount (₦)</b>
Jia Bao Quarry Limited	491,721.49
Dantata & Sawoe Nigeria Limited	107,168,335.00
Asphalt Unity Limited	(39,357,065.42)
Hitech Nigeria Limited	(472,790.05)
Mothercat Nigeria Limited	13,034,684.00
Dangote Nigeria Limited	225,937,295.00

<b>Total</b>	<b>306,802,180.02</b>
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#### 8.7.4 Payments made but not reported by the company.

Such payments were added back to the company's figure after evidences had been provided by the company and there was no contrary view from the government agencies concerned.

<b>Table 35: Payments made but not reported by the company (ii)</b>	
<b>Company</b>	<b>Amount (₦)</b>
Triacta Nigeria Limited	633,500.00
Gilmor Nigeria Limited	9,855,832.41
Jia Bao Quarry Limited	600,000.00
Porcelainware Industries Limited	3,241,800.00
CNC Engineering Company Limited	2,699,340.00
Ratcon Construction Company Limited	9,855,000.00
Georgio Rocks Limited	1,000,000.00
Prodeco Limited	170,000.00
Brothers Quarry Limited	791,770.00
PW Nigeria Limited	1,309,583.71
Reynolds Construction Company Limited	7,482,021.00
Tongyi Allied Mining	210,000.00
Arab Contractors Limited	3,030,000.00
Salini Nigeria Limited	4,160,773.35
CCECC Nigeria Limited	11,332,786.00
United Cement Company	11,850,000.00
Zeberced Nigeria Limited	50,000.00
West Africa Portland Cement	97,986,436.30
Julius Berger Nigeria Limited	5,139,480.00
Dantata & Sawoe Nigeria Limited	5,073,911.00
Equishare Nigeria Limited	314,845.40
FW San He Concepts Limited	1,075,450.00
CGC Nigeria Limited	3,738,500.00
Kopek Nigeria Limited	570,646.00
Asphalt Unity Construction Limited	349,920.00
Levant Construction Limited	180,000.00
Petra Quarries Limietd	776,488.00
Gitto Consruzioni Generali Nigeria Limited	717,078.85
Perfect Stone Quarries Limited	10,000.00
Setraco Nigeria Limited	14,324,606.60
Hitech Nigeria Limited	5,626,828.57
Crushed Rock Limited	2,977,550.00
Ashaka Cement Plc	6,011,575.00
Mothercat Nigeria Limited	4,349,220.00
SCC Nigeria Limited	5,650,518.60
Dangote Cement Plc	69,309,944.49
<b>Total</b>	<b>292,455,405.28</b>



### 8.7.5 Payments outside the reporting period.

These are purely timing difference payments. Such payments were either added back or deducted from the company's figure.

<b>Table 36: Payments made but relating to previous or period preceding (Timing Difference i.e outside the period covered) (iii)</b>	
<b>Company Name</b>	<b>Amount (₦)</b>
Arab Contractors Limited	(1,279,173.00)
C.C.E.C.C	(2,355,275.00)
Cement Company of Northern Nigeria	(1,350,100.00)
Brothers Quarries Limited	(158,230.00)
CNC Engineering Company Limited	(432,250.00)
Dangote Cement Plc	(12,292,429.20)
Jia Bao Quarry Limited	(110,000.00)
Julius Berger	(4,014,400.00)
Kopek Construction Company Limited	(1,269,000.00)
Levant Construction Limited	(350,000.00)
Ratcon Construction Company Limited	(567,000.00)
PW Nigeria Limited	(474,880.00)
	(1,416,688.00)
	(30,442.50)
Setraco Nigeria Limited	(2,007,230.00)
West Africa Portland Cement	(2,761,670.00)
UNICEM	(1,333,550.00)
	(7,066,825.00)
<b>Total</b>	<b>(39,269,142.70)</b>

### 8.7.6 Total amount added/deducted to/from the initial amount reported by companies

Amount shown in table 37 represents December, 2013 payments made in January 2014 but not reported by companies for the year 2014. These figures have been added to the current year's figures as all payments are reported on cash basis.

<b>Table 37: Total amount added to the initial amount reported by the company (Timing Difference) (vi)</b>	
<b>Company Name</b>	<b>Amount (₦)</b>
Ashaka Cement Plc	2,076,575.00
Asphalt Unity Construction Ltd	349,920.00
CNC Engineering Nigeria Company Limited	430,000.00
Crushed Rock Limited	1,496,950.00
Georgio Rocks Limited	1,042,179.20
Jia Bao Quarry Limited	120,000.00
Kopek Construction Limited	917,670.00
Levant Construction Limited	250,000.00
Mothercat Limited	561,750.00
Niger Construction Limited	194,500.00
Porcelainware Industries Limited	3,181,800.00
Ratcon Construction Company Limited	753,000.00
Salini Nigeria Limited	58,944.00

SCC	1,096,000.00
Setraco Nigeria Limited	612,000.00
West Africa Portland Cement	3,329,142.50
	7,366,567.50
	109,894.50
UNICEM	11,954,550.00
<b>Total</b>	<b>35,901,442.70</b>

## 8.8 Summary of Adjustments made to Government Agencies templates

### 8.8.1 Summarized below were the adjustments made to the Government agencies' templates to arrive at their final figures

The table below shows the adjustments that were made to Government agencies initial templates due to timing difference, data omission, improper classification of data and over/under statement of amounts.

Table 38: Adjustments made to Government Agencies Templates		
S/N	Details	Amount (₦)
1	Payments received but not reported by Government Agencies (i)	26,386,800,703.09
2	Payment received but not correctly reported by Government Agencies (ii)	(167,982,890.00)
3	Amount added/(deducted) to /from the initial amount reported by Government Agencies (iii)	3,826,589,042.39
	<b>Total</b>	<b>30,045,406,855.48</b>

### 8.8.2 Payments received but not reported by Government Agencies

Such receipts were added back to the Government agencies' figure after evidences had been provided to confirm receipts.

Table 39: Payments received but not reported by Government Agencies (i)			
S/N	Revenue Stream	Government Agency	Amount (NGN)
1	Annual Service fees	MCO	<b>2,300,000.00</b>
2	Application for transfer of mining title fees	MCO	<b>2,000,000.00</b>
3	Blasting Certificate	MID	270,000.00
4	CIT	FIRS	2,449,602,623.26
5	EDT	FIRS	483,459,559.73
6	Explosive Magazine licence	MID	210,000.00
7	Licence to buy explosives	MID	200,000.00
8	Permit to erect a magazine	MID	330,000.00
9	Permit to mix ANFO	MID	60,000.00
10	Royalty	MID	10,797,211.77
11	VAT	FIRS	19,752,560,744.08
12	WHT	FIRS	3,685,010,564.25
	<b>Total</b>		<b>26,386,800,703.09</b>

**8.8.3 Payment received but not correctly reported by Government Agencies. Necessary adjustment were carried out on the side of Government agencies templates**

<b>Table 40: Payment received but not Correctly Reported by Government Agencies (ii)</b>			
<b>S/N</b>	<b>Company</b>	<b>Government Agency</b>	<b>Amount (NGN)</b>
1	Royalty	MID	(165,067,470.00)
2	Royalty	MID	(2,000,000.00)
3	Permit to erect magazine	MID	(150,000.00)
4	Licence to buy explosive	MID	(765,420.00)
	<b>Total</b>		<b>(167,982,890.00)</b>

**8.8.4 Amount added/(deducted) to/from the initial amount reported by Government Agencies**

<b>Table 41: Amount added/(deducted) to/from the initial amount reported by Government Agencies (iii)</b>			
<b>S/N</b>	<b>Company</b>	<b>Government Agency</b>	<b>Amount (NGN)</b>
1	Annual service fees	MCO	3,656,000.00
2	Application for relinquishment of mining title	MCO	<b>10,000.00</b>
3	Blasting certificates	MID	60,000.00
4	CIT	FIRS	3,835,060,767.43
5	EDT	FIRS	(136,574,975.88)
6	Explosive magazine licence	MID	440,000.00
7	Licence to buy explosive	MID	90,000.00
8	Permit to erect magazine	MID	<b>100,000.00</b>
9	Permit to mix ANFO	MID	60,000.00
10	Royalty	MID	21,954,670.84
11	VAT	FIRS	35,645,895.00
12	WHT	FIRS	66,086,685.00
	<b>Total</b>		<b>3,826,589,042.39</b>

## 9.0 Summary of Findings and Recommendations

### 9.1 Highlights of Issues Raised In Previous Audits (2007 – 2013)

S/N	PROCESS	FINDINGS	RECOMMENDATION	REMARKS
		<ul style="list-style-type: none"> <li>The audit has observed that no adequate collaboration exists between the various government agencies. This leads to revenue leakages as some of the licensed holders operate without the registration and knowledge of the MID at States</li> </ul>	<ul style="list-style-type: none"> <li>There is an urgent need for interface between relevant Ministries, Departments and agencies which will ensure that appropriate taxes and other payment are made by operators and received by the relevant agencies.</li> </ul>	MMSD has developed a Road Map to provide specific direction to rapid transformation of the solid minerals and metal sector
		<ul style="list-style-type: none"> <li>The Audit has observed the incessant smuggling of Solid Minerals out of the country by middle men and smugglers.</li> </ul>	<ul style="list-style-type: none"> <li>The establishment of mineral market at strategic boarder points across the country in order to bring about flexible market control</li> </ul>	No action yet
		<ul style="list-style-type: none"> <li>The Nigeria Export Promotion Council (NEPC) has created the Export Expansion Grant (EEG) which is a scheme established to induce non-oil exports, assist exporters to expand their volumes. The Audit observed that out of 86 companies that exported minerals during audit period, only two (2) companies applied and benefitted from the grant.</li> </ul>	<ul style="list-style-type: none"> <li>NEPC and MMSD to sensitize non-oil exporters in the utilization of the scheme.</li> </ul> <p>This should serve as an avenue for the recovery of royalties at the time of export</p>	
		<ul style="list-style-type: none"> <li>At present, the MCO do not have a database and cannot keep track of illegal mining activities in the country.</li> </ul>	<ul style="list-style-type: none"> <li>The MCO should send status report of all mining titles to FMO in each state of the monthly for effective monitoring.</li> </ul>	The MCO has institutionalized regular meetings with the parent ministry (MMSD).
		<ul style="list-style-type: none"> <li>Geophysical and geochemical mapping coverage of Nigeria remains low.</li> </ul>	<ul style="list-style-type: none"> <li>NGSA should be enabled to adequately update and cover the whole country to provide reliable</li> </ul>	Air borne geophysical survey had been carried by NGSA. Solid Mineral Road Map, 2012

		geological data.	
	<b>PYSICAL</b>		
	<ul style="list-style-type: none"> <li>The Audit has observed revenue leakages in the process of exporting the components of minerals, \$15.2M (FOB) worth of Ore was exported without royalty payments. This was traced to CBN records. Estimated Revenue loss arising from these lapses sum up to =N= 70.3m</li> </ul>	<ul style="list-style-type: none"> <li>An effective Framework by MMSD, CBN and other relevant agencies to ensure that royalties are paid for all minerals exported</li> </ul>	MMSD has approved a new pricing regime through the intervention of the IMTT , with effect of April 2014 for royalty
	<ul style="list-style-type: none"> <li>The Audit observed that no adequate monitoring mechanisms were put in place by the regulatory authorities to carry out effective supervision of the industry.</li> </ul>	<ul style="list-style-type: none"> <li>To develop robust framework for implementing the act/policies governing the industry to enhance the supervisory role of the regulators and avoid situations where the regulators are at the mercy of the operators.</li> </ul>	
	<ul style="list-style-type: none"> <li>The Audit has observed with specific references to wide spread environmental degradation and hazards caused by artisanal and small scale miners activities</li> </ul>	<ul style="list-style-type: none"> <li>Formalization of the ASM into clusters and encouraging them into adhering to relevant laws.</li> </ul>	
	<ul style="list-style-type: none"> <li>The report observed that activities of ASM have caused serious health challenges like poisoning, trauma- induced sickness and mental retardation among others. Specifically, the Audit visited at least 5 villages in Anka and Bungudu local governments of Zamfara state where about 500 people were estimated to have died due to lead poisoning.</li> </ul>	<ul style="list-style-type: none"> <li>Government should undertake a comprehensive study of the mining environments and the associated health issues with a view to carrying out the necessary amendment of the existing legislation and regulations as it relates to the Nigeria Mining and Minerals Act,2007</li> </ul>	Clean up has been done on Zamfara lead poisoning sites
	<ul style="list-style-type: none"> <li>Quarries were operated by construction companies and abandoned after completion of the projects. There is no strong legislation on Decommissioning of Quarry sites.</li> </ul>	<ul style="list-style-type: none"> <li>MMSD should ensure that companies make adequate provisions in their annual financial statements for reclamation in line with section 115 of Mineral and Mining Act (2007).</li> </ul>	No serious enforcement in place
	<ul style="list-style-type: none"> <li>The production data provided by the MID was based on self-</li> </ul>	<ul style="list-style-type: none"> <li>The need for a robust platform or framework to</li> </ul>	There is improvement with introduction of

	<p>declarations submitted from the extractive companies in the solid minerals sector. MID does not use its own procedures and systems to collect and control production by mining companies.</p>	<p>show production data.</p> <ul style="list-style-type: none"> <li>Provide the administrators with a comparison of the production volumes declared with the measurements made by the ministry of mines and steel development throughout the year.</li> </ul>	<p>weigh bridges among others but less monitoring by MID</p>
	<ul style="list-style-type: none"> <li>Exports figures reported by companies were different from those declared by Government Agencies. Accordingly, we were not able to reconcile data between any of the Government Agencies and those reported by companies.</li> </ul>	<ul style="list-style-type: none"> <li>There is need for increased awareness and institutional inter-phase between the NCS, CBN, NIPC, NPA, etc, that export permits are mandatory for export of solid minerals from Nigeria</li> </ul>	
	<b>FINANCIAL</b>		
	<ul style="list-style-type: none"> <li>The Audit observed that the 13% derivation payments to solid minerals producing states were not paid.</li> <li>In addition, no framework for segregating Solid Mineral revenues in place. Indices to be used in sharing accrued revenue from the sector were not available to the RMAFC.</li> </ul>	<ul style="list-style-type: none"> <li>FMMSD, RMAFC, FIRS and other relevant agencies to work together in developing framework for calculating and applying the 13% derivation as required by Section 162 (2) of the Constitution.</li> </ul>	
	<ul style="list-style-type: none"> <li>From RMAFC records we noted that the sums of NGN 2,037,594,163.80 accrued from the Solid Minerals Sector for the year ended 2013 were not yet shared.</li> </ul>	<ul style="list-style-type: none"> <li>Urgent steps must be taken to ensure that beneficiaries of statutory disbursement from the mineral resources receive their share.</li> </ul>	<p>RMAFC has formalized solid Mineral Derivation</p>
	<ul style="list-style-type: none"> <li>Companies that are engaged in both quarrying and construction/manufacturing operation do not differentiate the revenues earned from each activity.</li> </ul>	<ul style="list-style-type: none"> <li>MMSD should advise construction/manufacturing companies to maintain their quarry units as separate business entities to ease implementation of relevant legislations/regulations.</li> </ul>	

	<ul style="list-style-type: none"> <li>The legal and taxation environment in Nigeria suffers from several limitations, these includes: Lack of centralised reporting system in Nigeria and Lack of a unique identification number for extractive companies that may result in wrong company due to similar company name</li> </ul>	<ul style="list-style-type: none"> <li>A review of the tax reporting system and Tax Identification Numbers in Nigeria is imperative in order to improve controls over extractive sector revenues, transparency and traceability of income.</li> </ul>	<p>Economic management implementation team is drafting Mining Income Tax Act (MITA) while Capital Gain Tax for MMSD sector is receiving attention by FIRS</p>
	<ul style="list-style-type: none"> <li>Regarding revenue streams for 2013 reconciliation, we suggest that the payments and contributions should be restructured for a better understanding. The revenue streams in report include a generic payment labeled as ‘other payments, which are misleading. We note that several fees such as stamp fees and penalties paid to both FIRS and MID were not included in the reporting template.</li> </ul>	<ul style="list-style-type: none"> <li>Revenue streams can be reviewed to capture and define clearly what each revenue head is and under what category of payment it should be subsumed.</li> <li>Instructions on how to populate these streams by covered entities should be spelt out clearly.</li> </ul>	<p>There is improvement, however there is need for continuous sensitization for the new entrants</p>
	<ul style="list-style-type: none"> <li>Several reports from companies do not include production data, information on licenses and location; and</li> <li>Some reporting templates from companies were filled in on the accruals basis instead of the cash basis while others did not segregate 2012 from 2013 payments and included them in the same template.</li> </ul>	<ul style="list-style-type: none"> <li>A single reporting template that captures all required information relating to both financial and physical process data is recommended.</li> <li>We recommend using a simplified and intelligible format on interlinked spreadsheets to avoid inputs of contradictory information from one table to another.</li> </ul>	<p>There is improvement</p>
	<ul style="list-style-type: none"> <li>Government Entities did not submit their respective data confirmations in accordance with a formal template and the reporting templates sent by the Mines Inspectorate Department, Mining Cadastre Office and the Federal Inland Revenue Services were not signed by a senior company official;</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation letter from companies’ external auditor that confirms that the information they have submitted is comprehensive and consistent with their audited financial statements; and</li> <li>Government reporting entities should be requested to obtain a certification of the accuracy of the government disclosures from the Auditor General.</li> </ul>	<p>Senior officials now signed the official documents of entities. There are audited financial statements from some companies but no Auditor General</p>

			confirmation for government entities yet.
	<ul style="list-style-type: none"> <li>The Audit has observed persistent activities of some foreign nationals operating in the sector which constitute significant buyers of the Solid Minerals that are mined by artisanal and small scale miners, illegal miners resulting in inaccurate production records and revenue leakages.</li> </ul>	<ul style="list-style-type: none"> <li>Mineral buying centres need to be established with functional Mineral Analysis laboratories that meet ISO certification standards in the six(6) geo-political zones for the purpose of analysing mineral extracted or discovered, while upgrading the existing laboratories to meet international standards</li> </ul>	There are mineral buying centres but more are needed. Mineral analysis laboratories that meet ISO certification is a challenge.
	<ul style="list-style-type: none"> <li>The Mines Inspectorate Department reported aggregated figures for Royalties and for other services fees, and the Federal Inland Revenue Services did not report details of payments received from all companies which were confirmed. Several companies did not report the detailed receipt numbers of payments made to the Federal Inland Revenue Services, the Mining Cadastre Office, Nigeria Customs Service and to the Mines Inspectorate Department;</li> </ul>	<ul style="list-style-type: none"> <li>Given that the Solid Minerals Sector is not a well organised industry, we strongly recommend that a scoping study should be carried out before the reconciliation work is undertaken in order to enable the National Stakeholder Working Group to agree on materiality thresholds, significant payments, important extractive companies, government entities and the reporting template. The scoping study became a mandatory requirement in the new EITI Rules (2013).</li> </ul>	Reporting templates, training workshop were held with all entities and instructions and guidance notes were provided for the preparation of the payment reports.



## 9.2 Findings and Recommendations 2014

We set forth below our findings and observed weaknesses during the course of the audit. The findings have been discussed under specific headings and, appropriate recommendations made accordingly.

S/N	ISSUES	FINDINGS	RECOMMENDATIONS
1	Production Data	<ul style="list-style-type: none"> <li>It was observed that some companies reported the same level of production from January to December, even though explosive consumption was observed to differ during the period under review.</li> <li>Some company aired their view that MID uses powder factor to determine royalty forcefully from them when not been satisfied with the declared tonnage.</li> </ul>	<ul style="list-style-type: none"> <li>MID should endeavor to initiate programs for regular independent production audit of extractive companies so that gross misstatements or under-declaration of production volumes would be reduced to the minimum.</li> <li>In the medium to long term, MID should encourage companies to acquire, install and use measurement machines related to weighing such as load volume scanner, weigh bridges, etc, in mines and quarries to minimize dispute with respect to quantity</li> <li>Should MID have reason to surcharge an operator, the equivalent tonnage and mineral type involved should be indicated.</li> </ul>
2	Production Data	<ul style="list-style-type: none"> <li>Some companies do not have up to date monthly returns or poorly completed monthly production records as well as poor document archiving system.</li> </ul>	<ul style="list-style-type: none"> <li>State mines officers should ensure monthly returns are properly completed and filed as at when due.</li> <li>State mines officer should be adequately equipped to enable them discharge their functions by provision of field and office equipment.</li> <li>Companies that have cause to close their sites are advised to formally write MID and MCO for suspension or relinquishment in compliance to Mineral and Mining acts 2007, Minerals and Mining Regulations, 2011</li> </ul>
		<ul style="list-style-type: none"> <li>Some engineering construction companies did not provide record for quantity of laterite used in their operations and subsequently did not pay royalty.</li> <li>We observed that some cement companies uses gypsum</li> </ul>	<ul style="list-style-type: none"> <li>MID should implement payment of royalties for all mineral resources including laterite, sand, shale etc. to all entities engage in commercial excavation operations.</li> <li>Cement Companies and other companies that receive local gypsum supplies from individuals and use should be encourage</li> </ul>

		<p>but do not pay royalty.</p> <ul style="list-style-type: none"> <li>Specifically, Ashaka Cem Plc has ML228 for gypsum since 2005 and paid royalty for quantity use up to 2013 but did not pay for 29, 579.44tons in year 2014</li> </ul>	<p>to demand royalty payment evidence from their local suppliers or inform MID on royalty payment accordingly.</p> <ul style="list-style-type: none"> <li>MID should ensure that Ashaka Cement Plc pay royalty for gypsum of 29,579.44 tons which is ₦5, 915, 888.00 for 2014</li> </ul>
3	Export	<ul style="list-style-type: none"> <li>Exports figures reported by companies were different from those declared by Government Agencies. For example, in year 2014, Tongyi Allied Mining Ltd, was reported by MID to have paid royalty for 10, 870 tons but exported 35,939.4 tons of lead zinc in year 2014 by NCS. Accordingly, we were not able to reconcile data between any of the Government Agencies and those reported by companies.</li> <li>It was also observed that some companies who featured in the export of solid minerals for 2014 were mainly below materiality threshold and we unable to confirm their permit to export solid minerals in line with extant laws</li> </ul>	<ul style="list-style-type: none"> <li>Quantity FOB should be used as basis for royalty payments on export of minerals.</li> <li>For the purpose of recovery, government should review year 2014 export documents to ensure that royalty payments on solid minerals are adequately confirmed at export point.</li> <li>There is need for a strong synergy between the relevant government agencies (NEITI, MID, NCS and FIRS) to ensure that all fees due are collected.</li> </ul>
4	Activities at the Mining Sites	<ul style="list-style-type: none"> <li>The activities of illegal miners were observed to be prevalent within the industry, leading to loss of government revenues.</li> </ul>	<ul style="list-style-type: none"> <li>Government should continue with its formalization of informal miners and encouragement of establishment of more private mineral buying centres to facilitate collection of revenue</li> </ul>
5	Fiscal Regime/Taxation	<ul style="list-style-type: none"> <li>Multiplicity of taxes, fees and levies imposed by the three tiers of government on extractive companies making environment unsuitable for business. Specifically, NIWA and LASEMA collect royalties from companies that are engaged in sand dredging.</li> </ul>	<ul style="list-style-type: none"> <li>The government needs to speed up implementation of solid mineral sector specific fiscal regime.</li> </ul>
6	Social Payments	<ul style="list-style-type: none"> <li>A few of the extractive companies have made social payments for projects in their respective host communities. These payments were duly reflected in the financial statements. However, we were unable to see verifiable evidence of such projects in the host communities in some cases. The implication of this is that the companies will use such payments to reduce their tax liabilities, leading to loss of revenue to the government</li> </ul>	<ul style="list-style-type: none"> <li>In order to reduce loss of revenue to government, companies should be required to keep appropriate documentation and records of all social payments duly certified by Mines Environmental Compliance Department (MEC) of MMSD.</li> </ul>