

# Solid Minerals Industry Audit Report 2016

## EXECUTIVE SUMMARY

November 2018



## ***TAJUDEEN BADEJO & CO***

Tajudeen Badejo & Co  
{Chartered Accountants}  
B-34, 2nd Floor, Nkwegu Plaza,  
Plot No. 1078, Durumi District,  
Area 1, By Old Secretariat,  
Garki Abuja.

Tel: 234 805 9009 038  
234 706 8244 660  
tajudeenbadejo@yahoo.com

12<sup>th</sup> November 2018

The Executive Secretary,  
Nigeria Extractive Industries Transparency Initiative (NEITI),  
No. 60, Nelson Mandela Street,  
Asokoro, Abuja.

Dear Sir,

### **REPORT ON THE CONDUCT OF NIGERIA SOLID MINERALS INDUSTRY EITI RECONCILIATION FOR 2016**

We have carried out the Nigeria Solid Minerals Industry reconciliation exercise for 2016 in line with the procedures agreed with you in accordance with our engagement letter dated March 8, 2018.

The assignment was undertaken for the purpose of Nigeria Extractive Industries Transparency Initiative in compliance with EITI Standard 2016 for implementing countries. The assignment was carried out in accordance with the International Standard on Related Services applicable to agreed upon procedures engagements. The procedures we performed were specific to the assignment as set out in the Terms of Reference attached herein, except where stated otherwise.


Our findings are duly set out in the Report, including its appendices. Please note that the procedures performed were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements; therefore, we do not express any opinion on the underlying transactions. Had we performed additional procedures pursuant to International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention which would have been reported to you accordingly.

This Report is solely for the purpose of informing the National Stakeholders 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. The report relates only to the subject matter specifically set out herein and does not extend to any financial statements of any entity, in part or as whole.

Thank you.

Yours faithfully,

**For: Tajudeen Badejo & Co**



Badejo Tajudeen  
Managing Partner

**Audit. Tax. Consulting. Financial Advisory.**

---

## TABLE OF CONTENTS

LIST OF ACRONYMS AND MEANINGS.....	4
LIST OF TABLES .....	4
LIST OF FIGURES .....	5
1.0 INTRODUCTION .....	5
1.1 Objective of the audit .....	6
1.2 Materiality analysis .....	6
1.3 Limitation to the reconciliation work.....	6
1.4 Total revenue generated from the solid minerals sector in 2016 .....	7
1.5 Licence register .....	7
2.0 PRODUCTION AND EXPORT.....	8
2.1 Exploration.....	8
2.2 Production data.....	9
2.3 Export.....	9
3.0 REVENUE COLLECTION.....	11
3.1 Reconciliation of the payment flows.....	11
3.2 Royalty collection in 2016 .....	12
3.2.1 Royalty collection disaggregated by states.....	12
3.2.2 Royalty collection disaggregated by companies .....	12
3.2.3 Royalty collection disaggregated by minerals.....	12
4.0 REVENUE ALLOCATION .....	13
5.0 SOCIAL EXPENDITURES AND CONTRIBUTION TO THE ECONOMY .....	14
5.1 Corporate social responsibility .....	14
5.2 Contribution of the solid minerals sector .....	14
5.2.1 Contribution to the Nigerian economy .....	14
5.2.2 Contribution to government revenues .....	14
5.2.3 Contribution to employment.....	15
6.0 SUMMARY OF FINDINGS AND RECOMMENDATIONS IN 2016.....	15

**LIST OF ACRONYMS AND MEANINGS**

S/No	ACRONYM	MEANING
1	CDA	Community Development Agreement
2	CIT	Companies Income Tax
3	EL	Exploratory Licence
4	EITI	Extractive Industries Transparency Initiative
5	FCT	Federal Capital Territory
6	FIRS	Federal Inland Revenue Service
7	FOB	Freight On Board
8	GDP	Gross Domestic Product
9	IFRS	International Financial Reporting Standards
10	MEC	Mines Environmental Compliance Department
11	MID	Mines Inspectorate Department
12	MCO	Mining Cadastre Office
13	ML	Mining Lease
14	MMSD	Ministry of Mines and Steel Development
15	NSWG	National Stakeholders Working Group
16	NBS	Nigeria Bureau of Statistics
17	NEITI	Nigeria Extractive Industries Transparency Initiative
18	NMMR	Nigeria Minerals and Mining Regulations
19	NCS	Nigerian Customs Service
20	NMMA	Nigerian Minerals and Mining Act
21	N/A	Not Applicable
22	PAYE	Pay-As-You-Earn
23	QL	Quarry Lease
24	RP	Reconnaissance Permit
25	RMAFC	Revenue Mobilization Allocation and Fiscal Commission
26	SSML	Small Scale Mining Lease
27	SMA	Solid Minerals Audit
28	ToR	Terms of Reference
29	EDT	Tertiary Education Tax
30	USD	United State Dollar
31	VAT	Value Added Tax
32	WUP	Water Use Permit
33	WHT	Withholding Tax

**LIST OF TABLES**

S/n	Table No.	Description
1	Table 1	Summary of Financial Flows
2	Table 2	Summary of Valid Titles in 2016
3	Table 3	Summary of New Titles Issued in the Year 2016



4	Table 4	Summary of Revoked Titles in 2016
5	Table 5	Summary of Transferred Titles in 2016
6	Table 6	Analysis of exploration licenses issued in 2016 for the 7 strategic minerals
7	Table 7	Principal Destination of Nigeria Solid Minerals Export in 2016
8	Table 8	Comparison of value of solid minerals export in 2016 and 2015
9	Table 9	Initial Declaration of Receipts and Payments by Government and Companies
10	Table 10	Summary of Reconciliation of Taxes and other Revenue
11	Table 11	Government Receipts and Companies Payments after reconciliation
12	Table 12	Analysis of the un-reconciled revenue
13	Table 13	Distribution of Solid Minerals Revenue among three tiers of Government
14	Table 14	Distribution of State and Local Government Allocation and 13% Derivation Fund
15	Table 15	Corporate social responsibility declared by extractive companies in 2016
16	Table 16	Contribution of the Solid Minerals Sector to the Economy in 2016
17	Table 17	Percentage of Solid Minerals Export to the sector's contribution to the economy
18	Table 18	Solid Minerals Sector Contribution to Government collection in 2016
19	Table 19	Employment Data by Extractive Companies in 2016

## LIST OF FIGURES

S/n	Figure No.	Description
1	Figure 1	Contribution of revenue generated by FIRS, MID and MCO
2	Figure 2	Analysis of valid titles
3	Figure 3	Analysis of titles issued in 2016
4	Figure 4	Analysis of titles revoked in 2016
5	Figure 5	Analysis of titles transferred in 2016
6	Figure 6	Distribution of EL issued in respect of 7 strategic minerals in 2016
7	Figure 7	Three years trend analysis of solid minerals export
8	Figure 8	Major minerals export destinations and value
9	Figure 9	Comparison of value of solid minerals export in 2016 and 2015

## 1.0 INTRODUCTION

This is the summary of the reconciliation of financial and non-financial flows from the solid minerals sector in Nigeria for 2016 as required by the Extractive Industries Transparency Initiative (EITI). The exercise involved validation and reconciliation of extractive companies' payments and government agencies' receipts respectively from the solid minerals sector of the extractive industry during the period under review. The table below provides the summary of the reconciliation exercise:

Table 1: Summary of financial flows

Country	Nigeria
Fiscal period covered	2016
Independent Administrator	Tajudeen Badejo & Co (Chartered Accountants)
Royalty declared by government	₦1,649,245,665.90
Companies that paid royalty	651
Materiality Threshold	₦3,000,000.00

Materiality Coverage	87%
Companies that met materiality threshold	56
Companies below threshold	595
Royalty paid by 56 companies	₦1,424,550,711.32 (87% of declared royalty)
Royalty paid by 595 companies	₦216,468,226.89 (13% of declared royalty)
Government reconciled revenues excluding unilateral disclosure	₦41,975,128,945.80
Company reconciled payments excluding unilateral disclosure	₦41,929,826,284.81
Government declared revenues including unilateral disclosure	₦43,222,388,312.69
Company declared payments including unilateral disclosure	₦48,966,564,350.25
Largest revenue stream	Value added tax (VAT)
<b>Breakdown of reconciled revenue streams</b>	
Value Added Tax (VAT)	₦20,244,510,690.43(48.23%)
Companies Income Tax (CIT)	₦10,575,945,892.31(25.2%)
Withholding Tax (WHT)	₦7,175,636,759.59(17.10%)
Tertiary Education Tax (EDT)	₦2,284,103,975.85(5.44%)
Pay-As-You-Earn; PAYE (FIRS)	₦101,114,676.30(0.24%)
Royalty	₦1,424,550,711.32(3.39%)
Fees – MID	₦13,240,440.00(0.03%)
Fees – MCO	₦156,025,800.00(0.37%)
<b>Total</b>	<b>₦41,975,128,945.80</b>
<b>Breakdown of Unilateral disclosure by Government</b>	
Royalty below threshold	₦216,468,226.89 (17.36%)
Fees – MID	₦35,952,840.00 (2.88%)
Fees – MCO	₦994,838,300.00 (79.76%)
<b>Total</b>	<b>₦1,247,259,366.89</b>
Discrepancy in government revenue	₦45,302,660.99

### 1.1 Objective of the audit

In accordance with the ToR, the objective of the assignment is to produce a Solid Minerals Sector Audit Report for 2016 in accordance with the NEITI Act and the EITI Standard.

### 1.2 Materiality analysis

Royalty payment was adopted as the basis for the determination of materiality threshold in the year 2016 as this is the only material revenue flow specific to the sector that is tied to production. In the year under review, 651 extractive companies made royalty payment of ₦1,649,245,665.90.

### 1.3 Limitation to the reconciliation work

The scope of work is set out in the ToR for the exercise. However, out of the 56 companies that were selected for reconciliation, 3 companies namely, BUA International Limited (Okpella Site, Edo State), Hajaig Construction Company Ltd, Pioneer Sinochino Investment Ventures Ltd failed to participate in the audit. In a related vein, Coltan Minerals Limited participated in the audit but did not show up for the reconciliation. The revenue of these totaled ₦45.30million. This did not affect the overall outcome of the exercise because their total revenue contribution is 0.1% of total revenue of the sector in 2016.

#### 1.4 Total revenue generated from the solid minerals sector in 2016

Revenue from the solid minerals sector amounted to ₦43,222,388,312.69 in 2016. The revenue streams from the Solid Minerals Sector is composed of 93.43% of taxes received by FIRS, while royalty and fees received by MID and MCO represent 3.91% and 2.66% respectively. The detail of these revenue streams is shown in table 1 above.

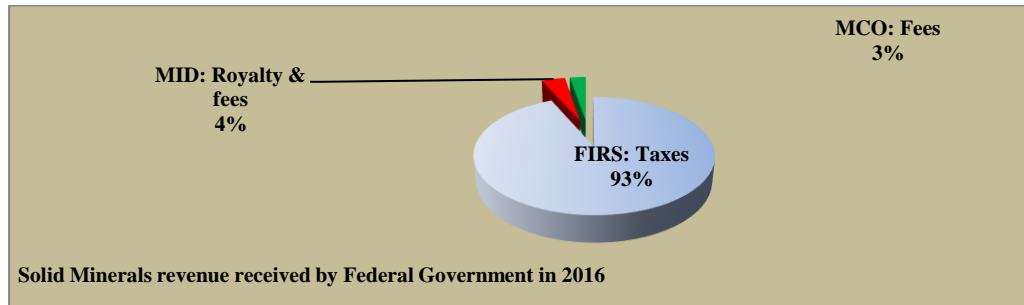


Figure 1: Contribution of revenue generated by FIRS, MID and MCO

#### 1.5 Licence register

Table 2: Summary of Valid Titles in 2016

Title Type	Exploration Licence	Mining Lease	Quarry Lease	Small Scale Mining Lease	Total
<b>TOTAL</b>	1,751	208	1,563	1,053	4,575

MCO had a total of 4,575 valid titles in its register spread across the various States of the Federation.

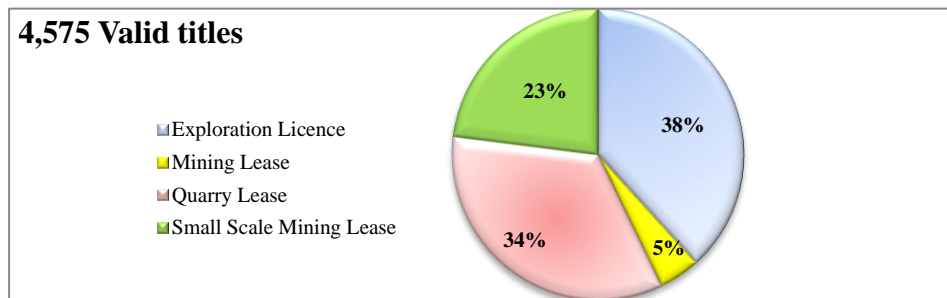


Figure 2: Analysis of valid titles

Table 3: Summary of New Titles Issued in the Year 2016

Title Type	Exploration Licence	Mining Lease	Quarry Lease	Reconnaissance Permit	Small Scale Mining Lease	Total
<b>TOTAL</b>	510	15	288	314	338	1,465

A total of 1,465 titles were issued in 2016

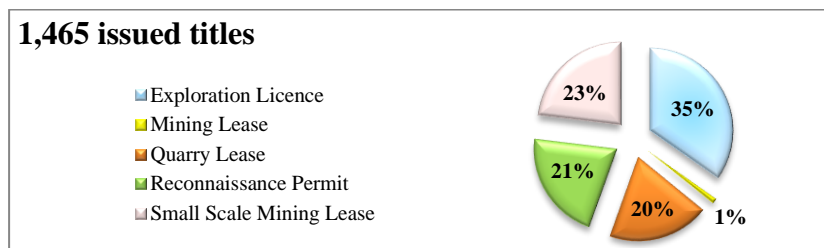


Figure 3: Analysis of titles issued in 2016

Table 4: Summary of Revoked Titles in 2016

Title	Exploration Licence	Mining Lease	Quarry Lease	Small Scale Mining Lease	Total
-------	---------------------	--------------	--------------	--------------------------	-------

<b>Total</b>	331	11	659	29	1,030
--------------	-----	----	-----	----	-------

A total of 1,030 titles were revoked in 2016

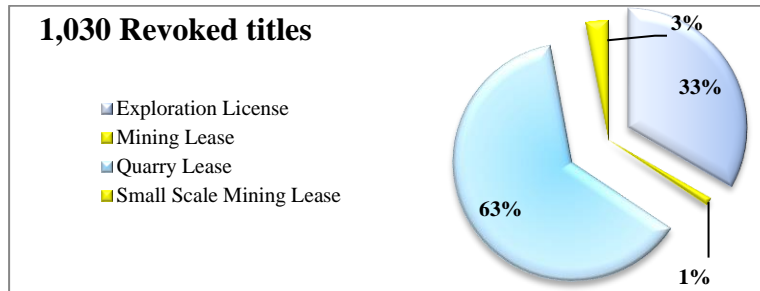


Figure 4: Analysis of titles revoked in 2016

Table 5: Summary of Transferred Titles in 2016

S/No	Title	No. Transferred
1	Exploration License (EL)	7
2	Quarry Lease (QL)	3
3	Small Scale Mining Lease (SSML)	4
	<b>Total</b>	<b>14</b>

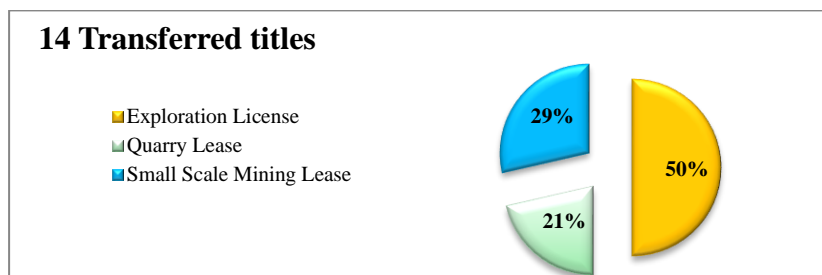


Figure 5: Analysis of titles transferred in 2016

## 2.0 PRODUCTION AND EXPORT

### 2.1 Exploration

Nigeria is endowed with abundant and diverse mineral resources, however not all these minerals are available in commercial quantities.

Government has identified seven (7) strategic minerals namely: Coal, Bitumen, Limestone, Iron Ore, Barites, Gold and Lead/Zinc for priority development. Three hundred and fifteen (315) exploration licenses were issued in respect of the priority minerals in 2016 as shown below:

Table 6: Analysis of exploration licenses issued in 2016 for the 7 strategic minerals

S/N	Types of Minerals	No of EL issued
1	Gold	181
2	Lead-Zinc	59
3	Barites	9
4	Iron Ore	26
5	Bitumen	-
6	Limestone	22
7	Coal	18
	<b>Total</b>	<b>315</b>



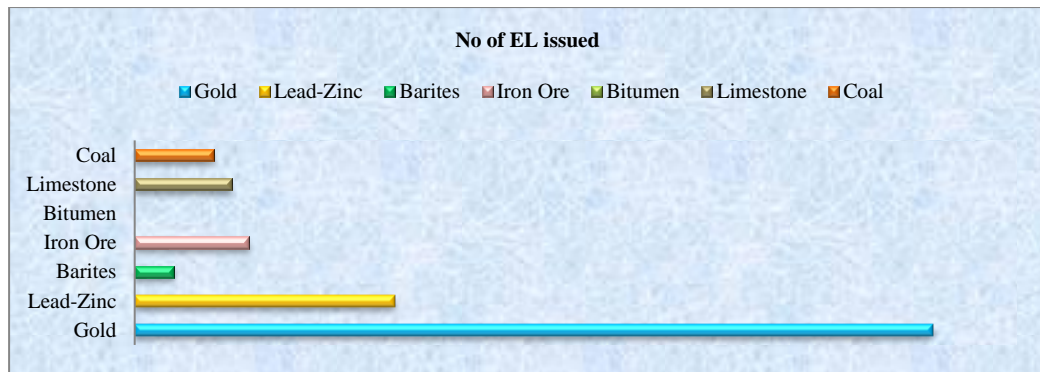


Figure 6: Distribution of EL issued in respect of 7 strategic minerals in 2016

## 2.2 Production data

The total solid minerals mined in 2016 and upon which royalty was paid amounted to 41,874,611.02 Tons. Production was accounted for on the basis of minerals consumed/sold. The fifty six (56) covered extractive entities that met the materiality threshold accounted for 92% of the total production while the remaining 595 companies below materiality threshold accounted for the balance of 8%.

## 2.3 Export

The free on board (FOB) value of the solid minerals exported in 2016 was USD 40,934,053.00.

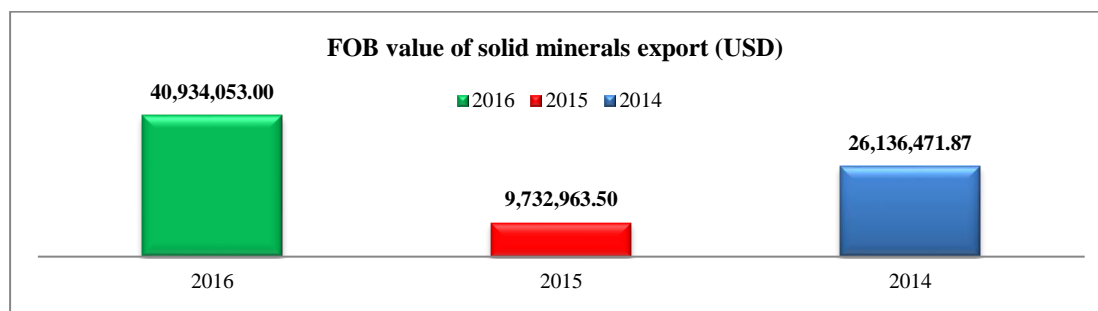


Figure 7: Three years trend analysis of solid minerals export

Table 7: Principal Destinations of Nigeria's Solid Minerals Export in 2016

Goods Description	FOB \$	Contribution %
China	21,951,529.00	53.63
Spain	10,838,958.00	26.48
India	3,641,450.00	8.90
United Arab Emirates	1,561,600.00	3.81
Thailand	760,301.00	1.86
Japan	653,200.00	1.60
Malaysia	339,610.00	0.83
Netherlands	245,669.00	0.60
Korea Republic	179,688.00	0.44
Italy	152,400.00	0.37
Others**	609,648.00	1.49
Total	40,934,053.00	

\*\*Belgium, Canada, Central African Republic, Chad, Cote d'Ivoire, France, Gabon, Germany, Pakistan, Poland, Republic of South Africa, Sierra Leone, Swaziland, United Kingdom, United States

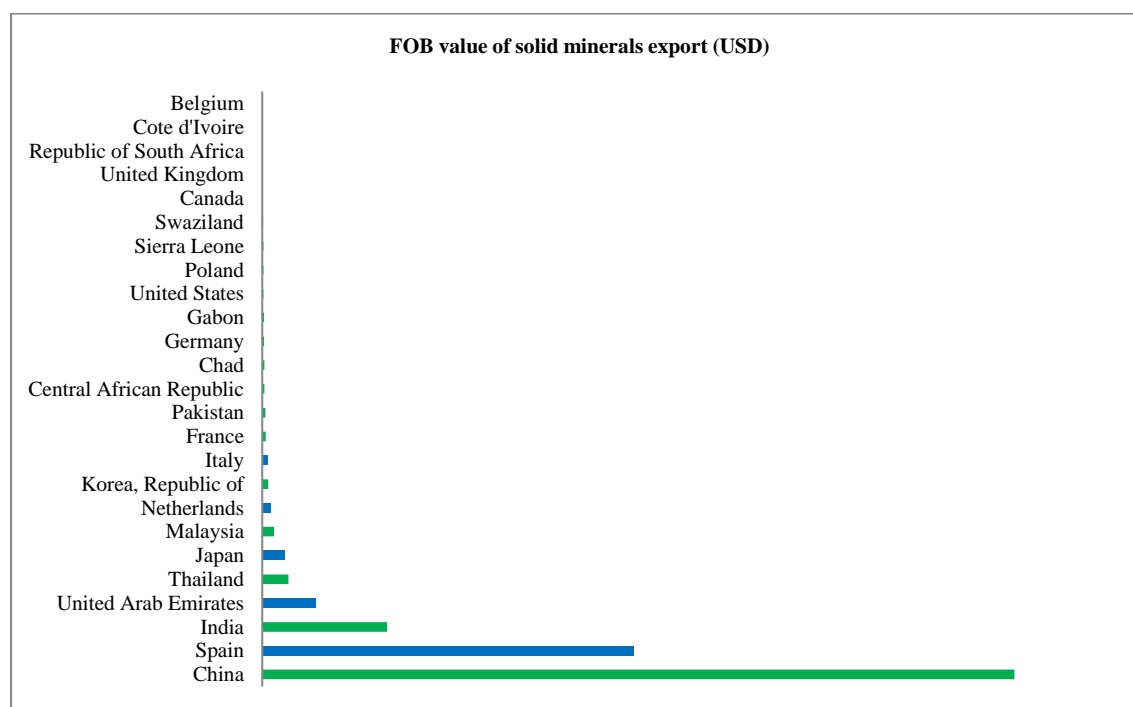


Figure 8: Major minerals export destinations and value

Table 8: Comparison of value of solid minerals export in 2016 and 2015

Description	2016 ₦'billion	2015 ₦'billion	Difference ₦'billion
Value of non-oil export	330.01	134.17	195.84
Solid minerals contribution	11.16	1.94	9.22

Source: Nigeria Bureau of Statistics for 2016 and NEITISMA report for 2015

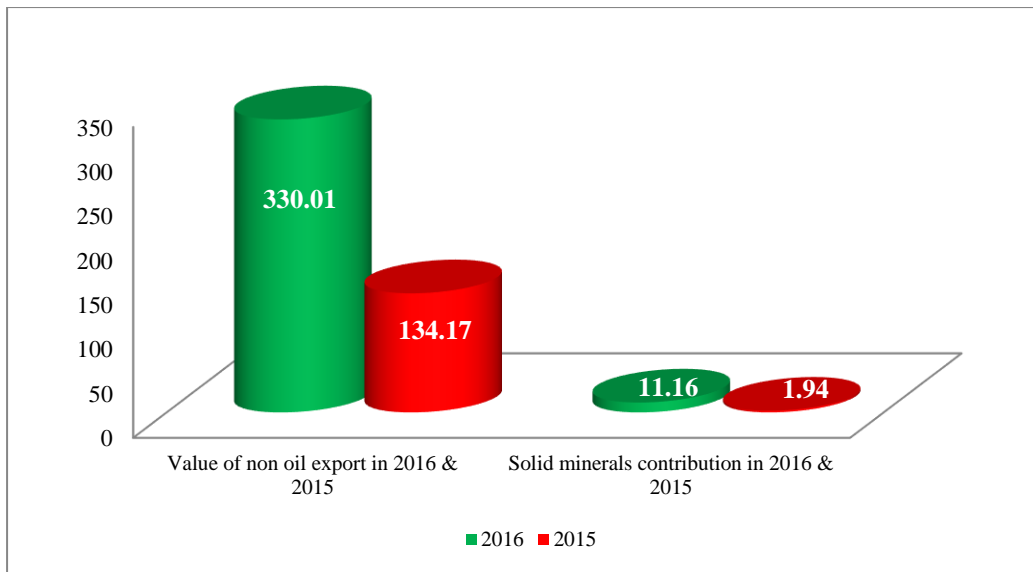


Figure 9: Comparison of value of solid minerals export in 2016 and 2015

### 3.0 REVENUE COLLECTION

The initial declaration of receipts and payments by government agencies and extractive companies prior to data validation and reconciliation is in the table below:

Table 9: Initial Declaration of Receipts and Payments by Government and Companies

Financial flow	Government ₦	Company ₦	Difference ₦
MID	1,446,017,879.01	394,049,958.88	1,051,967,920.13
MCO	156,025,800.00	72,255,207.96	83,770,592.04
FIRS	23,321,044,443.52	34,849,761,481.47	(11,528,717,037.95)
<b>Sub-Total</b>	<b>24,923,088,122.53</b>	<b>35,316,066,648.31</b>	<b>(10,392,978,525.78)</b>
Unilateral Disclosure by Government Agencies	1,247,259,366.89	-	1,247,259,366.89
Unilateral Disclosure by reporting Companies	-	7,036,738,065.44	(7,036,738,065.44)
<b>Total</b>	<b>26,170,347,489.42</b>	<b>42,352,804,713.75</b>	<b>(16,182,457,224.33)</b>

#### 3.1 Reconciliation of the payment flows

We reconciled the royalty and taxes reported by extractive companies and government entities and clarified all discrepancies in the payments and receipts declared.

Table 10: Summary of Reconciliation of Taxes and other Revenue

Initial Template			Reconciliation Adjustment		Final		Difference
GOVERNMENT ₦	COMPANY ₦	Difference ₦	GOVERNMENT ₦	COMPANY ₦	GOVERNMENT ₦	COMPANY ₦	Difference ₦
24,923,088,122.53	35,316,066,648.31	(10,392,978,525.78)	17,052,040,823.27	6,613,759,636.50	41,975,128,945.80	41,929,826,284.81	45,302,660.99

Table 11: Government Receipts and Companies Payments after reconciliation

Payment Streams	Declared Government Revenue ₦	Declared Company Payment ₦	Difference ₦
FIRS	40,381,311,994.48	40,361,186,033.49	20,125,960.99
MID	1,437,791,151.32	1,412,614,451.32	25,176,700.00
MCO	156,025,800	156,025,800	-
Sub-total: Reconciled revenue 'a'	<b>41,975,128,945.80</b>	<b>41,929,826,284.81</b>	<b>45,302,660.99</b>

Unilateral Disclosure by Government Agencies	1,247,259,366.89	-	
Unilateral Disclosure by reporting Companies	-	7,036,738,065.44	
Sub-total: Unilateral disclosure 'b'	<b>1,247,259,366.89</b>	<b>7,036,738,065.44</b>	
<b>Total (a + b)</b>	<b>43,222,388,312.69</b>	<b>48,966,564,350.25</b>	

Table 12: Analysis of the un-reconciled revenue

Description	Royalty ₦	Taxes ₦	Amount ₦
BUA International Ltd (Okpella Site, Edo State)	15,084,200.00	-	15,084,200.00
Coltan Minerals Limited	862,500.00	-	862,500.00
Hajaig Construction Company Limited	5,280,000.00	17,502,000.00	22,782,000.00
Hajaig Construction Company Limited	-	2,623,960.00	2,623,960.00
Pioneer Sinochino Investment Ventures Limited	3,950,000.00	-	3,950,000.00
	<b>25,176,700.00</b>	<b>20,125,960.00</b>	<b>45,302,660.00</b>

### 3.2 Royalty collection in 2016

#### 3.2.1 Royalty collection disaggregated by states

Royalty of ₦1.64billion received by government was collected from the 36 States of the Federation and FCT. Ogun State posted the highest royalty, accounted for 33.49% of the total royalty.

#### 3.2.2 Royalty collection disaggregated by companies

The royalty collected was disaggregated by companies. Dangote Cement Plc had the highest contribution, with 37.83% of total royalty. There was an increase of 30.15% in respect of royalty payment in 2016 (₦1.64billion) when compared to 2015 (₦1.27billion).

#### 3.2.3 Royalty collection disaggregated by minerals

Limestone and granite contributed 80.67% of the total royalty paid in 2016.

#### 4.0 REVENUE ALLOCATION

The RMAFC is the government agency responsible for formulating and implementing revenue sharing formula, ensuring fairness and equality for even development across the nation.

Section 162 of the 1999 constitution entrenched the principles of derivation, wherein not less than 13% of revenue accruing to the federation account from any natural resources are distributed to the regions where such revenues are derived. The sum of ₦9,923,015,028.00 was shared by the three tiers of government as solid minerals revenue for the first time in July, 2016. This is the accumulated revenue from the sector for the period 2007-2014. This amount is inclusive of 13% derivation of ₦1,289,991,953.64

Table 13: Distribution of Solid Minerals Revenue among three tiers of Government

S/N	Beneficiary	Amount received ₦
i	Federal Government 'a'	4,547,876,555.57
ii	State Government	2,306,743,765.47
iii	Local Government	1,778,402,753.32
iv	13% Derivation Fund	1,289,991,953.64
v	Sub-total (ii – iv) 'b' **	5,375,138,472.43
vi	Total (a + b)	9,923,015,028.00

\*\* Only the breakdown shown in the table below

Table 14: Distribution of State and Local Government Allocation and 13% Derivation fund

State	No. of LGC	State share ₦	LG share ₦	Actual 13% derivation shared ₦	Total ₦
Abia	17	56,961,197.15	36,912,828.31	11,140,588.98	105,014,614.44
Adamawa	21	60,596,918.36	46,560,235.06	2,515,864.37	109,673,017.79
Akwa Ibom	31	61,160,040.76	62,015,497.10	19,201,194.25	142,376,732.11
Anambra	21	60,483,397.17	46,811,851.51	3,851,971.35	111,147,220.03
Bauchi	20	72,763,553.22	53,140,714.95	8,180,201.06	134,084,469.23
Bayelsa	8	53,824,347.64	21,630,216.11	1,213,982.03	76,668,545.78
Benue	23	68,220,534.88	57,825,322.38	66,828,174.85	192,874,032.11
Borno	27	75,578,575.68	62,780,971.24	794,746.41	139,154,293.33
Cross River	18	61,170,471.08	40,472,914.82	135,457,264.42	237,100,650.32
Delta	25	61,765,107.35	51,860,235.63	5,631,375.37	119,256,718.35
Ebonyi	13	54,421,963.67	29,939,254.01	59,782,444.58	144,143,662.26
Edo	18	56,879,674.21	39,680,099.58	50,183,984.38	146,743,758.17
Ekiti	16	54,391,253.67	31,507,438.04	5,356,621.10	91,255,312.81
Enugu	17	61,175,750.50	40,315,571.10	1,468,826.90	102,960,148.50
FCT-Abuja	6	-	16,158,748.78	135,776,592.55	151,935,341.33
Gombe	11	57,297,809.02	27,624,257.47	42,018,524.48	126,940,590.97
Imo	27	63,246,719.17	54,031,833.40	1,777,987.55	119,056,540.12
Jigawa	27	68,027,713.50	56,765,528.25	8,629,088.11	133,422,329.86
Kaduna	23	79,702,378.70	63,838,211.65	9,509,399.85	153,049,990.20
Kano	44	96,488,602.67	101,635,904.25	10,709,304.78	208,833,811.70
Katsina	34	74,775,921.01	77,377,143.89	8,546,262.42	160,699,327.32
Kebbi	21	64,232,889.21	48,833,283.39	6,205,626.39	119,271,798.99
Kogi	21	67,232,443.71	50,472,775.35	199,959,586.89	317,664,805.95
Kwara	16	54,148,756.44	35,714,775.33	3,580,959.11	93,444,490.88
Lagos	20	81,490,884.45	60,839,983.63	32,628,168.39	174,959,036.47
Nasarawa	13	56,098,228.03	31,863,735.19	6,398,956.70	94,360,919.92
Niger	25	72,055,676.18	58,977,315.96	6,129,160.83	137,162,152.97
Ogun	20	56,514,869.67	42,074,203.96	271,255,495.73	369,844,569.36
Ondo	18	56,626,831.95	40,183,526.17	21,187,303.45	117,997,661.57
Osun	30	55,478,839.77	54,429,602.16	3,954,356.14	113,862,798.07
Oyo	33	68,228,072.43	68,658,696.29	63,564,550.74	200,451,319.46
Plateau	17	63,522,583.81	43,039,803.28	19,707,940.21	126,270,327.30
Rivers	23	65,603,798.15	53,350,222.15	12,396,216.83	131,350,237.13
Sokoto	23	67,041,126.02	53,731,931.04	29,216,464.49	149,989,521.55
Taraba	16	58,596,745.18	40,272,262.08	12,569,414.13	111,438,421.39
Yobe	17	60,405,722.25	40,490,230.16	1,232,668.89	102,128,621.30
Zamfara	14	60,534,368.80	36,585,629.65	11,430,684.94	108,550,683.39
TOTAL	774	2,306,743,765.46	1,778,402,753.32	1,289,991,953.65	5,375,138,472.43

Based on the indices recommended by RMAFC, the amount of ₦1,290,017,753.49 was shared on 13% derivation. However, analysis by the IA showed that actual amount shared was ₦25,799.84 less.



## 5.0 SOCIAL EXPENDITURES AND CONTRIBUTION TO THE ECONOMY

### 5.1 Corporate social responsibility

Social Expenditures as defined by the NSWG are “social payments/contributions by extractive companies to stakeholders as may be mandated by law, discretionary, part of a company’s legal and contractual obligations and can be made either in-kind or in cash to a third party or to a government agency”. Extractive companies’ legal and contractual obligations are contained in the CDAs.

Table 15: Corporate social responsibility declared by extractive companies in 2016

Social Expenditure	Statutory ₦	Voluntary ₦	Total ₦
Companies	382,652,730.66	431,219,146.00	813,871,876.66

### 5.2 Contribution of the solid minerals sector

#### 5.2.1 Contribution to the Nigerian economy

The summary of the overall contribution of the solid minerals sector to the Nigerian economy in 2016 is presented in table 16 below.

Table 16: Contribution of the Solid Minerals Sector to the Economy in 2016

Economic Indices	National ₦’trillion	SM Sector contribution ₦’billion	Contribution %
GDP	67.98	87.61	0.13

Source: <https://nigerianstat.gov.ng/elibrary>

Nigeria’s GDP in 2016 was ₦67.98trillion, the economy having suffered a contraction of -1.51% during the year. The contribution of the solid minerals sector to GDP in 2016 was ₦87.61billion representing 0.13 % of total GDP.

Table 17 shows the contribution of solid minerals export to the entire receipts from the sector in 2016.

Table 17: Percentage of solid minerals export to the sector’s contribution to the economy

Economic indices	Solid minerals sector ₦’billion	Export ₦’billion	Contribution %
GDP	87.61	11.16	13

#### 5.2.2 Contribution to government revenues

The government collected the sum of ₦43.22billion from solid minerals sector in 2016. This represents 0.76% of the total revenue of ₦5.68trillion collected by government in 2016.

Table 18: Solid minerals sector contribution to government collection in 2016

Description	Amount ₦	Contribution %
Revenue Collected (Federally)	5,679,032,790,280.56	

Sector Specific Revenue Stream	2,841,076,318.21	<b>0.05</b>
Federal Inland Revenue Service	40,381,311,994.48	0.71
<b>Total Revenue Contributed</b>	<b>43,222,388,312.69</b>	<b>0.76</b>

### 5.2.3 Contribution to employment

According to Nigeria's Mining and Metal Sector Investment Promotion Brochure (October 2017 edition) the solid minerals sector is currently contributing 0.3% to national employment.

Table 19: Employment data by extractive companies in 2016

	National Non-local	National local	Total National	Non-Nigerian	Total
<b>Companies</b>	<b>6,666</b>	<b>3,895</b>	<b>10,561</b>	<b>347</b>	<b>10,908</b>

## 6.0 SUMMARY OF FINDINGS AND RECOMMENDATIONS IN 2016

S/N	FINDINGS	RECOMMENDATIONS
1	<p>The total royalty payment declared by UNICEM was ₦71,635,522.11 in 2016 as per MMSD records. The company denied the audit team access to its documents during the validation visit.</p> <p>However, at the tripartite reconciliation meeting which the company attended the IA discovered an irregular issuance of receipt for</p>	<p>IA recommends that MMSD undertake further investigation of this observed irregularity and take appropriate action including checking the records of other covered entities.</p>

	<p>the sum of ₦28,813,021.20. While the receipt with number Z009454299 was issued on 24<sup>th</sup> May 2016, three other receipts with Nos. Z009449771-3 were issued for the same amount on August 11<sup>th</sup>, 2016.</p> <p>It was further confirmed that the payment of ₦28,813,021.20 with receipt number Z009454299 issued on 24<sup>th</sup> May 2016 was not included in the sum declared by MMSD.</p> <p>In addition, the IA was not provided with evidence of bank lodgment to confirm the receipt by government.</p>	
2	<p>The IA discovered a difference between the FOB value of the quantity of minerals exported by Tongyi Allied Mining Ltd and export records submitted by NCS.</p> <p>Based on NCS records, the company exported 5,521 tons {5,521,520 Net Mass (kg)} of Lead/Zinc Concentrate and/or Lead Ore in 2016. However, Tongyi declared 3,100 tons and paid the sum of ₦7,425,000 as royalty as against ₦12,847,455.75; thus leaving a difference of ₦5,422,455.75 which represents payment for the undeclared 2,421 tons.</p>	<p>Government (MMSD) should follow up with the company to recover the sum of ₦5,422,455.75.</p>
3	<p>IA discovered a case of under payment of royalty where withholding tax (10%) was wrongly deducted on the royalty payable but not remitted to government. Specifically, Dangote Cement Plc underpaid royalty at its Obajana Plant by such deductions to the tune of ₦40,023,670.56.</p>	<p>The company paid back the sum of ₦40,023,670.56 on 24<sup>th</sup> August 2018 vides Remita Retrieval Reference no. 2402-4050-0287. This is commendable.</p> <p>However, based on this case, a sector-wide audit to detect similar occurrences in all extractive companies for prompt remedial action is imperative.</p>
4	<p>Multiple business activities of some operators limit the extent to which some statutory payments (e.g. taxes) in respect of their extractive activities can be identified and reconciled;</p> <p>This practice is found mostly among the companies in the construction and cement manufacturing sectors.</p>	<p>All companies with multiple lines of business activities should be mandated to:</p> <ul style="list-style-type: none"> <li>▪ Maintain separate books of account for their extractive activities;</li> <li>▪ Prepare separate audited financial statements where all relevant statutory payments accruing to Government from extractive activities are easily identified; and</li> <li>▪ Adopt and implement segmented reporting in line with IFRS 8</li> </ul>
5	<p>Three companies denied the audit team access to their records during data validation and failed to attend reconciliation meeting. The companies are BUA International Limited (Okpella Site, Edo State), Hajaig Const. Coy. Ltd and Pioneer Sinochino Inv. Ventures Ltd.</p>	<p>NEITI should collaborate with relevant Government agencies to enforce appropriate sanctions in line with extant laws, against these companies.</p>

	The revenue contributed by these companies was ₦44million as per government declared revenue or 0.1% of the reconciled figure; hence not material to affect the outcome of the report.	
6	<p>In line with the Nigerian Minerals and Mining Act 2007, royalty is calculated based on quantity of minerals obtained in the course of exploration or mining, this is in line with best practice. However, the Nigerian Minerals and Mining Regulation 2011 seem to contradict this position as it supports determination of royalty based on quantity sold or used.</p> <p>Some companies calculated royalty based on quantities won/produced while others based their calculations on the quantities sold or used –there is need for uniformity.</p>	<p>MMSD should harmonize provisions of the Nigerian Minerals and Mining Regulation 2011 with the Nigerian Minerals and Mining Act 2007 to ensure that all extractive companies calculate royalty on the quantity of minerals produced or won.</p> <p>Harmonization will ensure removal of opacity and strengthen transparency in the sector.</p>
7	The IA observed that some companies did not fulfill their Community Development Agreements.	<p>Government (MMSD) should sanction companies who renege on Community Development Agreements with their hosts.</p> <p>Companies should also report impediments in the course of implementing the CDAs promptly to government for appropriate resolution, in order to ensure peaceful coexistence and foster development in mining communities.</p>
8	Field visits by the IA revealed prevalence of illegal mining activities in the sector. However, there are isolated cases of registered Cooperative Societies who are operating in accordance with the law.	Government (ASMD) should improve its mechanism of integrating these informal miners into the mainstream with specific timelines and milestones.
9	The IA observed that of the 651 operators that paid royalty, 312 (48%) companies were not reported in the MCO record of valid titles, register of revoked licences or register of transferred titles for the year.	The MCO should liaise with MID to ascertain the validity of the titles of the 312 companies that paid royalty but not captured in the MCO register.
10	The IA observed that some titleholders enter into MOUs with other companies without duly informing the relevant government agencies. This has implication on royalty accountability and other statutory obligations. Specifically, Inorganic Earth Resources Limited (legitimate holder of title No: QLS 8630) engaged in quarrying in 2016 through Tigong Investment Limited by virtue of an MOU between the two companies that was not regularized.	<p>Investigation of the activity of all operators with similar arrangement should be carried out by MMSD to ensure conformity with statutory laws.</p> <p>In addition, FIRS should investigate the possibility of tax evasion or underpayment of taxes by the two companies and others with similar arrangement.</p>
11	The IA observed that some granite aggregate quarry operators did not comply with the provisions of Sections 201–204 of the	The Mines Environmental Compliance Department (MEC) should ensure that operators comply with the relevant sections of

	Mining Regulations 2011 as it relates to dumping operations, though dust suppression through water sprinkling was noticed in some quarries.	the law as it relates to environmental pollution and apply sanctions where necessary.
12	None of the operators visited provided the audit team with records of accidents, dangerous occurrences and diseases as required by Section 140 of the Mining Regulations 2011.	The Mines Inspectorate Department (MID) should compel operators to comply with the provisions of the law.
13	We noticed that none of the extractive entities showed any evidence of contributions to the Environmental Protection and Rehabilitation Fund in accordance with Section 121(4) of the Minerals and Mining Act, 2007.	The Government (MMSD) should facilitate the establishment of the Environmental Protection and Rehabilitation Fund so that mineral title holders meet their environmental obligations.