

## **SYNOPSIS: UNDERSTANDING NEITI**

Basically, the Extractive Sector comprises of the following key sub-sectors: oil and gas, solid minerals, mining, fisheries and forestry. Essentially, the key functions and objectives of NEITI can be summarised into the following:

- a) *To conduct regular audits to ascertain and establish what companies have paid to government, what government has received during the period under review;*
- b) *To ascertain and establish if government (federal, state and local governments) actually received what is expected to be received and if companies have paid what is expected to be paid.*

To undertake and successfully achieve the objectives expressed above, NEITI audits are basically divided into these critical areas: financial flows, physical flows and process flows. In addition, physical issues such as the volume of crude produced and the share of the crude to the federation, measurements and pricing of the crude produced are determined. More so, other exceptions such as process lapses, abnormal losses and accounting gaps are also identified through the NEITI Audit process.

## **NEITI AUDIT AND TRACK RECORD OF PROFESSIONALISM**

Background check on NEITI activities reveals that since its establishment in 2007, the organisation has conducted its activities in a professional manner. In spite of the politically volatile nature of the extractive sector, NEITI has maintained consistent and clear a non-adversarial, non-partisan and non-controversial approach in terms of its techniques and reporting pursuant to its mandate.

This is why none of the covered entities or stakeholders was able to disprove or disagree with any of the NEITI Audit findings/observations/queries that were raised in all the three (3) Audit exercises conducted by NEITI. Basically, Nigeria has produced and published three (3) Extractive Industries Transparency Initiative (EITI) Reports, spanning ten years: 1999-2004, 2005; and 2006-2008. Auditors have recently been engaged for the 2009-2011 oil & gas industry audit and the 2007-2010 solid minerals audit. This level of success is possible because of the commitment and diligence exercised by NEITI in conducting the Audit exercise which is in accordance with leading international best practices and compliant to the EITI rules.

As a hallmark of excellence, NEITI under the current leadership has achieved its compliant status with the global Extractive Industry Transparency Initiatives (EITI) in March, 2011; therefore NEITI intends to leverage this current

international compliant status with EITI to further deepen its activities at the sub-national level (State and Local Governments).

### **SUMMARY OF MAJOR NEITI ACTIVITIES SINCE INCEPTION**

Since 2004, NEITI has engaged in various activities pursuant to its mandate. The major activities include the following:

- Produced and published three (3) Extractive Industries Transparency Initiative (EITI) Reports, spanning ten years: 1999-2004, 2005; and 2006-2008. (This was the first comprehensive audit of this strategic industry since Nigeria struck oil in 1956). Meanwhile, Auditors have recently been engaged for the 2009-2011 oil & gas industry audit and the 2007-2010 solid minerals audit.
- Communicating the findings of the audit to various stakeholders; and working with government agencies and other stakeholders to remedy the lapses identified by the audit;
- Building the capacity of civil society organizations, government officials, parliamentarians and the media to understand and monitor the extractive revenue transparency in Nigeria;
- Forging a national consensus on need for extractive revenue transparency in Nigeria through outreach and advocacy activities such as road-shows, consultative forums and town-hall meetings.

Reports to get.

### **BENEFITS OF NEITI AUDIT TO THE STATES**

Consistent with the just concluded retreat on the NGF Strategic Plan for 2013 – 2015 which we all participated and made inputs as Policy Experts to the NGF; the Director General, NGF is kindly requested to note the following benefits of working with NEITI as mutual partners during the Audit exercise.

- a) Re-enforcement of the commitment of Governors to diversify the economy by engaging the Extractive Sector as proposed by the NGF Strategic Plan for 2013 – 2015.
- b) Resolve the age-long concern and suspicion by the Governors regarding the veracity or otherwise of the allegation that State and Local Governments funds are often times tempered with by the federal government without their consent.
- c) Expose the possible cases of illegal deductions by the federal government to fund disputed projects like the Sovereign Wealth Fund or the operation of illegal accounts like the Excess Crude Accounts.
- d) Serve as a good indicator to show the International Community, Development Partners and Civil Society Organisations that our Governors are now ready to embrace and deepen transparency and accountability as part of good governance.
- e) Improve the image of our Governors in a positive manner as the main drivers' of sound regulatory framework especially regarding Fiscal Responsibility and Public Procurement related matters at the States level.

It is advisable and also very strategic for the Governors to immediately understudy the NEITI Audit process and take purposeful and responsible ownership of this novel national exercise. The entire Audit process has been deliberately designed to be inclusive, unbiased and non-confrontational. Basically, the processes involved are: getting the buy-in of stakeholders, joint development of templates, verification, validation process, reconciliation and production of report, implementation and remedial measures. Overall, the NEITI Audit process is very similar to the technical and administrative provisions of the State Peer Review Mechanism (SPRM).

### **DETAILED SCHEDULE OF MEETING**

- **DATE:** 2<sup>nd</sup> August, 2012 (NEITI letter dated 20<sup>th</sup> July, refers, pls)
- **VENUE:** NGF – Secretariat, Asokoro, Abuja
- **TIME:** 11:00am
- ❖ **NOTE:** *The NGF – Secretariat has confirmed 2<sup>nd</sup> August, 2012.*

### **MEETING AGENDA**

To discuss NEITI and NGF Secretariat working relationship and the mutual benefits which both parties stand to get from working together.

### **NEITI DELEGATION**

Mrs. Zainab S. Ahmed, Executive Secretary, NEITI will lead the delegation from NEITI into the meeting.

### **THE NGF TEAM**

Barr. A.B Okauru, Director-General, NGF will host the meeting and also lead the NGF delegation into the meeting.

### **PROGRAMME - (TENTATIVE)**

- a) Introduction
- b) Welcome remarks from DG, NGF
- c) Brief introduction on the project by the Consultant
- d) Remarks from the ES, NEITI
- e) Technical/interactive session
- f) Conclusion & Next steps
- g) Media Coverage/Interviews (NEITI to arrange)