

**MINUTES OF THE MEETING OF THE NSWG HELD IN ABUJA ON  
TUESDAY, 9th AUGUST 2005.**

An Extra-ordinary meeting of the National Stakeholders Working Group (NSWG) of the Nigeria Extractive Industry Transparency Initiative (NEITI) was held at the NICON Hilton Hotel Abuja on the 9th of August 2005.

In attendance were:

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S/N	Name	Organisation
1	Oby Ezekwesili	SSA-P Coordinator NEI TI
2	Bright Okogu	Ag. Executive Secretary NEI TI
3	Engr S. U. Obiorah	Nigeria Sao-Tome JDA
4	Olusegun Adeniyi	Thisday Newspaper
5	Dr A. Asobie	TIN
6	Rotimi Amaechi	Rivers State House of Assembly
7	Basil Omiyi	Shell
8	Stan Rerri	NEI TI Secretariat
9	I fueko Omoigui	FIRS
10	Imo I tsueli	Dubri Oil
11	U. M. Okoro	PENGASSAN
12	Dr Aboki Zhawa	Min Solid Minerals Dev.
13	I fueko Omoigui	FIRS
14	Trevor Akindele	Sak Resources
15	Fidelis Uzonwanne	ABZ Integrated Ltd
16	Onuoha Remisius	ABZ Integrated Ltd
17	M. U. Shariff	EFCC
18	A. B. Njiddah	EFCC
19	C. I fezulike	EFCC
20	D. I. Obienu	NNPC-NAPI MS
21	Eric Otchere	Hart Group

Apologies

1	Mal. M. Hayatudeen	NESG
2	Dr Edmund Daukoru	SA-P Petroleum
3	Senator Maeba Lee	Nat. Assembly

4	Gbite Adeniji	AELEX
5	Hon. Cairo Ojougboh	Nat. Assembly
6	Hon. Kawu Peto Dukku	States Legislature
7	Mrs J. Maduka	Leccom Associates
8	Mr Ajiboye	Auditor Gen. of Fed.
9	Amb Sam Edem	NDDC
10	Jay Pryor	Chevron-Texaco
11	Chris Haynes	NLNG
12	Ammuna Lawan-Ali	Min Pet. Res.

1. The meeting was chaired by Obiageli Ezekwesili. Minister of Solid Minerals Development and Chairperson, NEITI and started at 4.15pm with opening prayers by Dr. Assisi Asobie of Transparency in Nigeria.

The chairperson NEITI was congratulated on behalf of the NSWG by Basil Omiyi, MD Shell on her appointment as a cabinet minister. He added that it pleased their hearts as a group and that the appointment was righteous and well deserved.

2. The meeting commenced with opening remarks by the chairperson, highlighting the importance of the meeting. She mentioned that as part of the mandate of the NSWG, they believed that the controversy that affected Chevron needed to be brought before them. She added that the NSWG had a current Audit process that involves about 5yrs of activities of players within the oil and gas sector which comprised: process, physical and financial audits.

She posited that the controversy had been put center stage in the public domain and so there was a need to find the point of convergence as to where the ABZ were pointing to and what the independent auditors were working on. The chair added that the NSWG were interested in fighting alongside the good self of Mr Uzonwanne of ABZ should they establish their allegations. However she mentioned that overriding public interest is not an issue to fiddle with.

- 3 The chair passed the floor over to the MD of ABZ Integrated Ltd Mr Fidelis Uzonwanne to commence with his presentation.

She stressed that the presentation should be technically oriented and that it should be as fact driven as possible. He was given 40 minutes to present.

The MD ABZ introduced himself as Mr Fidelis Uzonwanne and introduced his company ABZ Integrated as a company which was engaged by EFCC to perform consultancy services.

He went on to say the issue was about the Chevron group which

comprised of Chevron Nig Ltd, Chevron Oil Nig Ltd and Texaco. He explained that the tax returns as submitted by the Federal Inland Revenue Service (FIRS), documents from the Department for Petroleum Resources (DPR) and documents from the office of the accountant general were looked at. He further added that over 15 meetings were held in which Chevron had representations. The meetings were umpired under the EFCC committee on "Government Revenue Fund".

He further added that ABZ were asked to make an interim report on their findings. According to him, from the minutes of a meeting held 13<sup>th</sup>/14<sup>th</sup> July 2004, Chevron were asked to put up a defence on the findings on which they could not.

- 4 The Chair asked him to give 3 of such possible findings and added that in an allegation such as this, 3 principal issues would give a window to the possible wrong doings by Chevron.

The chair further stressed the need for specifics not broad allegations. The chair advised that accurate facts and knowledge of the industry must be had before whistle blowing on the industry. This is because lack of such knowledge may lead to misunderstanding

ABZ's allegations were as follows:

(A) Cost Inflation – Mr Uzonwanne posited that the cost in the audited financial statement (AFS) of Chevron was far less than what Chevron submitted to FIRS as cost. He mentioned that there were disparities between the figures for cost reported and the following figures were given as examples.

YEAR	TAX \$'M	AFS \$'M	
1995	218.6	171.55	All figures exclude royalties
1996	297	196	" " "

The minister requested that ABZ Ltd be more specific by giving detailed examples. In response to this, Mr Uzonwanne said that the following

costs were questionable:

- a \$40million could not be proved
- b \$53million were classified as intangible cost

The Chair advised ABZ to get the FIRS to establish the basis of cost reported to them by Chevron and added that it was a technical thing to determine cost from a taxation perspective. It was agreed that what a company reports as cost in its audited financial statement and what is reported as its cost for taxation purposes cannot be compared. They are totally different figures.

At this point, the chair FIRS informed that FIRS was not privy to the ABZ report and that she was just seeing it for the first time. She mentioned that costs in operation systems was different from costs in taxation. She said it was a very possible and natural case. She gave an example that in an operating statement, depreciation can be treated in accounting depending on a company's accounting rules but for tax purposes, there is no allowance for depreciation and adds back capital allowances.

The chairperson FIRS finished up by saying that when there is a case of fraud felt, the difference is unusual and that one will have to establish accuracy and dig deeper by asking for details of these costs. This will enable the FIRS to establish the comparison between the cost in accounts and cost in tax submitted to the FIRS.

When the MD ABZ explained that they took a wholistic attitude and approach, the Chair NEI TI , on behalf of NEI TI asked ABZ to go further and do an exercise to decompose the figures in order to get a clear breakdown of figures to show specific items and where the difference may have occurred.

She explained that the ABZ report and the exercise would navigate the independent auditors who are currently auditing the oil industry.

The Chair explained that in doing an audit investigation there is something called right of reply: that is, our onus to get Chevron to answer why there is a disparity. And also that the onus was on the accuser to prove that the disparity of \$47Million was not treated rightly.

The chairperson explained that the reason there was NEITI was because the oil sector in Nigeria had hitherto operated in an opaque manner. The government's effort to open it up led to NEITI. She added that the NSWG were interested just as much as ABZ was on these issues however things had to be done on a clarity of knowledge basis. She advised that ABZ make sure they exhaust their intellect on this issue. Otherwise she stated that ABZ would be doing a great disservice to Nigerians if they do not accurately prove their case.

(B) The second issue raised by ABZ Ltd was on the claim of capital allowances based on non-existent qualifying capital expenditure. He stated for example that there was inconsistency in the following figures:

\$7.5million was reported as fixed asset addition in AFS

\$24million was disclosed as qualifying capital expenditure in tax return.

\$12.46 was claimed as capital allowance for the year.

This invariably meant that the company had enjoyed unmerited capital allowance since it could not have had fixed asset in addition of \$7.5m in audited financial statements (AFS) and have qualifying capital expenditure of N24m. Hence, tax report must have been overstated. The minister then asked whether ABZ clarified the allegation with FIRS to which Mr Uzonwanne said no. ABZ's allegation was faulted because of Mr Uzonwanne's lack of knowledge in the industry he was investigating and it was pointed out that if he had sought clarifications from FIRS, then he would have gotten the explanation for the variation.

(C) The third item raised by ABZ was on the claim to unmerited reserve additional bonus (RAB).

\$101million was claimed against \$43.million because claim was made on the same capital expenditure item repeatedly over some years. It was further explained that Chevron admitted to this in the presence of EFCC.

The Chair explained that the RAB is an issue being dealt by the Federal Government. She further assured that between NEITI, the oil & gas unit of Ministry of Finance and the FIRS, the not contested RAB issues will be established.

ABZ further accused Chevron of making claims on gas utilisation projects.

The contention was that they should not forward these to FIRS to claim capital expenditure to which the EFCC informed that when they referred this to FIRS, their considered opinion was that it was proper for Chevron to claim that for allowable capital expenditure.

A member of the HART Group/Afemikhe submitted with high authority after working with DPR for 25 years that the federal government has gas incentive laws.

5. The issue of Mr Uzowanne's non payment by EFCC was raised.

It was established that the EFCC appointed ABZ as consultants to work with them. The group agreed to EFCC's commitment by virtue of the commitment letter written to ABZ by EFCC where EFCC hired them as consultants with monetary considerations.

ABZ having found an unmade payment of \$6.5Million by Chevron to which chevron admitted and paid were laying claim to their payments under the terms of their consultancy with EFCC. The EFCC when asked, admitted that ABZ assisted in the recovery of the \$6.5million.

EFCC was directed by the group to further discuss terms and conditions with ABZ to sort the issue out. They were further advised to dialogue with FIRS . EFCC was admonished for hiring this kind of consultancy work without reference to FIRS and it was made clear that EFCC did not have the power to pay from the recovered sum which belonged to the Federal Government.

6. The chair listed the things achieved in the meeting as follows:

- A good number of allegations made by ABZ on Chevron-Texaco require more detailed investigations before any clear indication of fraud can be established.
- The NEITI has undertaken to providing all the information that ABZ has provided to the NEITI independent auditors currently auditing the Nigerian oil companies.
- The NSWG while thanking ABZ Ltd also admonished Mr Uzonwanne for playing on issues without clarifying some issues from relevant organisations such as FIRS.
- The NSWG established through the testimony of the chairman of the EFCC subcommittee that some work had indeed been done by ABZ that led to the recovery of \$6.5Million. The NSWG were also apprised with the content of the letter of engagement by EFCC and the general view of the house was that a consultancy arrangement was made. The EFCC would need to have some dialogue with ABZ and FIRS to recognise the nature of that arrangement..
- There is a legal provision for payment of such informants in FIRS. So the opinion of the NSWG is that EFCC through dialogue with FIRS establish procedure for payments of services rendered
- Findings on the allegations from ABZ Ltd proven, will be made public

Finally, My Fidelis Uzonwanne of ABZ Ltd expressed his appreciation at the opportunity given to him by the NEITI to raise the issues that were heard discussed.

7.

NEITI Bill: The chair was asked by the group to find some time and appear at the public hearing on the NEITI Bill to which she agreed.

She mentioned that the position of the 15b membership of the NSWG was one that the President had in mind and that it was contained in the Federal Executive Council resolution.

The group's attention was brought to the contradiction in section 6.1 and 6.2 of the NEITI bill.

The meeting closed with prayers by Olusegun Adeniyi of Thisday.