

2016 Oil & Gas Industry Audit Report

Executive Summary



...promoting transparency, enabling prosperity.

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1.0. Introduction

1.1 Background

The Extractive Industries Transparency Initiative (EITI) is a global initiative that promotes transparency and accountability in the management of extractive resources through regular reconciliation of payments by companies and receipts by governments. The Nigeria Extractive Industries Transparency Initiative (NEITI) is the national subset of this global body. In compliance with the provision of Section 4 of NEITI Act 2007 and the EITI Standard, the National Stakeholders Working Group (NSWG) of NEITI appointed Messrs. Haruna Yahaya & Co. (Chartered Accountants) to carry out the 2016 Oil and Gas audit for Nigeria.

1.2 Audit Objectives

The main objective of this assignment is to produce the 2016 NEITI Oil & Gas Industry Audit Report in compliance with the ToR and the 2016 EITI Standard. Other specific objectives are to:

- i. Report on the revenue flows among the covered entities, with transactions made by participants (both public and private) in Nigeria's oil and gas industry.
- ii. Undertake special verification work on certain classes of transactions.
- iii. Report on balances payable/receivable at the end of the period for certain financial flows.
- iv. Reconcile the physical/financial transactions reported by payers and recipients as appropriate, as per the scope set out herein.
- v. Make observations on the assignment with appropriate recommendations that will aid policymaking while considering recommendations from past reports.

This audit was conducted based on International Standard on Related Services (ISRS) 4400, which relates to engagement to perform agreed-upon procedures regarding financial information. The following were also applied in executing the audit: ISA 505 relative to external confirmations; ISA 530 relative to audit sampling; ISA 500 relative to audit evidence; and ISRS 4410 relative to compilation engagements.

1.3. Summary of Financial Flows

The financial flows covered are enumerated below:

- Federation Equity and Profit Oil
- Domestic Crude Allocation
- Gas Sales
- Feedstock Sales
- Petroleum Profits Tax (PPT)
- Royalty Oil
- Royalty Gas
- Company Income Tax (CIT) on Gas
- Education Tax (EDT)

- Capital Gains Tax
- NESS Fee
- NDDC Levy
- NCDMB Payments
- Gas Flared Penalties
- Concession Rentals
- Pipeline Transportation Fee
- Dividend, Interest and Loan Repayment by NLNG.

1.4. Summary of Physical Flows and Process Procedures

The following Physical Flows and Process Procedures were considered in this audit as enumerated below:

- Production and Utilization of Gas
- Product Importation and Distribution
- Production and Terminal Balances
- Crude Lifting and Fiscal Value
- Production Arrangements and Licensing
- Process for Pricing of Federation Equity Crude Oil
- Review of Systems and Procedures
- Review of Remediation issues
- Recommendations on the Review Process.

1.5. Covered Entities

The 2016 NEITI report covered 84 entities, comprising the following: ten government agencies, seven power-generating companies, 62 oil and gas companies, three refineries, and the NLNG and NGC.

2.0. Aggregated Financial Flows

2.1. Aggregate Financial Flows from all sources

The table below summarises the Financial Flows to the Federation, Other Tiers of Government and Sub-National Entities from the Oil and Gas Sector of the Extractive Industry in Nigeria for the year 2016. The total flow from all sources (Crude Oil Sales, Taxes, Royalties and Other Incomes) amounted to **\$17.055billion**.

Table 2.1 Summary of aggregate Financial Flows from all sources

Section	2016
	\$'000
1 Sale of Federation Crude Oil and Gas	
Federation Equity	3,874,534
Profit Oil	517,373
Domestic Crude Sales	5,485,046
Gas Sales	186,818
Feedstock Sales	865,176
Total Sales of Crude Oil and Gas (i)	10,928,947
2 Less: Production Sharing Contracts (PSCs)/Modified Carry Agreements (MCAs) in Kind Payments	
Petroleum Profit Tax (PPT) – PSCs/SC	-2,152,155
Petroleum Profit Tax (PPT) – MCAs	-299,097
Royalty (Oil) – PSCs/SC	-391,192
Royalty (Oil) – MCAs	-73,392
MCA Gas CIT/EDT	-22,764
MCA Oil EDT	-9,194
MCA Royalty (Gas)	-5,287
Concession Rental	-115
Total PSCs/MCAs In-Kind Payments (ii)	-2,953,196
Sub-Total (A) = (i) - (ii)	7,975,751
3 Sector Specific Financial Flows	
Petroleum Profit Tax (PPT)	4,216,908
Royalty (Oil)	1,577,040
Royalty (Gas)	66,078
Signature Bonus	0
Gas Flared Penalties	8,799
Concession Rental	824
Company Income Tax (Gas)	314,846
Dividends, Interest & Repayment of Loans by NLNG	390,234

	Pipeline- Transportation Fee	2,529
	Total Confirmed Flows (iii)	6,577,258
	Subtotal to the Federation iv (2+3)	14,553,009
4	Other non-specific Financial Flows to Federation/ other Entities	
	Value Added Tax (VAT)	563,801
	Capital Gain Tax (CGT)	176,516
	Pay As You Earn (PAYE)	41,210
	Withholding Tax (WHT)	763,936
	Contribution to NDDC	492,066
	Education Tax	317,853
	NCDMB 1% Levy	129,403
	NESS Fee	16,805
	Total Flows to Other Entities (v)	2,501,590
	Grand Total (iv+v)	17,054,598

2.2. Comparative analysis of revenues from 2012 to 2016

The Table below shows the comparative analysis of petroleum revenues to the government from 2012 to 2016. There was a steady decline in year-on-year revenues from 2012 to 2015, with the sharpest drop of 54.55% in 2015 compared to the preceding year. The year under review experienced drop in revenue by 31% from \$24.790billion in 2015 to \$17.055billion in 2016.

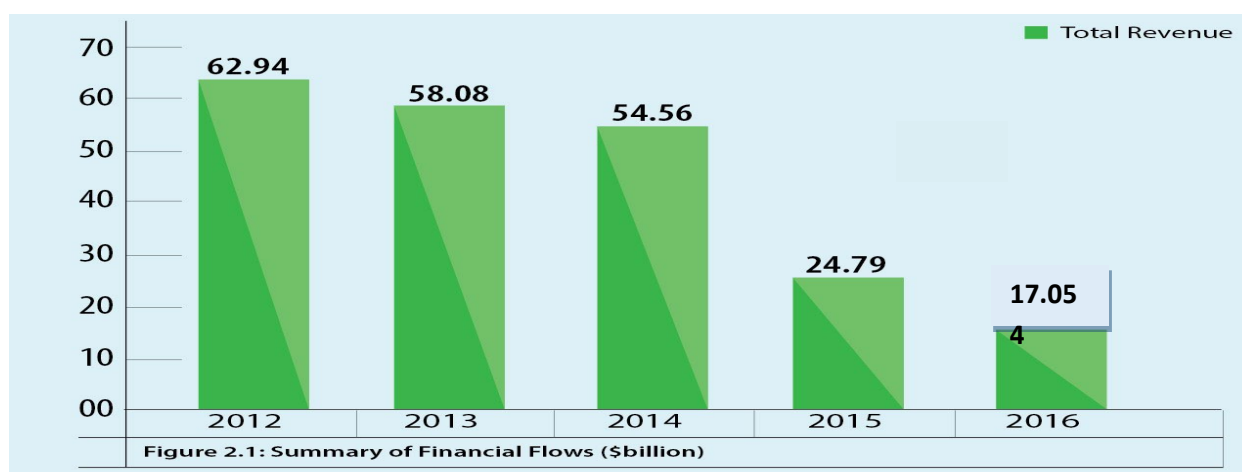
Table 2.2 Comparative Analysis of Revenues from 2012 to 2016

	2012	2013	2014	2015	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of Federation Crude Oil and Gas					
Federation Equity & Profit Oil	21,611,186	19,050,886	18,196,369	7,597,104	4,391,907
Domestic Crude Sales	18,147,751	17,435,818	15,674,817	7,775,228	5,485,046
Gas Sales	489,033	616,006	597,025	262,688	186,818
Feedstock Sales	1,845,370	1,357,525	1,682,650	1,089,827	865,176
Sales of Crude Oil and Gas (Total)	42,093,340	38,460,235	36,150,861	16,724,847	10,928,947
Less: PSCs/MCAs in Kind Payments					
Petroleum Profit Tax (PPT)-	10,759,802	10,273,854	7,094,219	2,956,542	2,460,447

PSCs/MCAs					
Royalty (Oil) - PSCs/MCAs	959,781	993,167	2,328,222	1,097,705	464,583
MCA Gas CIT/EDT		83,954	22,437	16,831	22,764
MCA Royalty (Gas)		18,343	68,952	3,649	5,287
Concession Rental	-	-	-	138	115
Total PSCs/MCAs In-Kind Payment	11,719,583	11,369,318	9,513,830	4,074,865	2,953,196
Sub-Total (A)	30,373,757	27,090,917	26,637,031	12,649,982	7,975,751
Other Sector Specific Financial Flows					
Petroleum Profit Tax (PPT)	18,851,676	17,591,512	15,697,977	5,389,868	4,216,908
Royalty (Oil)	6,725,282	6,182,319	6,311,102	2,784,534	1,577,040
Royalty (Gas)	107,601	119,093	135,030	107,160	66,078
Signature Bonus	0	12,500	142,249	902,720	0
Gas Flared Penalties	24,580	18,475	18,693	12,683	8,799
Concession Rental	2,895	133,750	2,628	1,006	824
Total Confirmed Flows	25,712,034	24,057,649	22,307,679	9,197,971	5,869,648
Other Flows to Federation					
Companies Income Tax (CIT)	441,048	556,050	521,827	603,499	314,846
Value Added Tax (VAT)	770,834	965,521	619,779	-	563,801
Capital Gains Tax					176,516
Total Other Flows to Federation	1,211,882	1,521,571	1,141,606	603,499	1,055,163
Sub-Total (B)	26,923,916	25,579,220	23,449,285	9,801,470	6,924,812
Total Flows to Federation (A+B)	57,297,675	52,670,137	50,086,316	22,451,452	14,900,563
Other Flows					
Dividends & Repayment of Loans by NLNG	2,795,531	1,289,592	1,420,406	1,076,012	390,234
PAYE	87,918	168,524	24,170	-	41,210
Withholding Tax (WHT)	794,880	991,693	697,095	-	763,936
Total Other Flows	3,678,329	2,449,809	2,141,671	1,076,012	1,195,380

Flows to States and Local Govt					
Withholding Tax (WHT)	11,314	17,740	857	-	-
PAYE	197,667	556,030	366,425	-	-
Dividends & Repayment of Loans by NLNG	36	1,089	-	-	-
Total Flow to States	209,017	574,859	367,282	-	-
Flows to Other Entities					
Contribution to NDDC	558,808	562,921	846,081	387,621	492,066
Education Tax	1,120,421	1,477,764	605,597	667,770	317,853
NCDMB 1% Levy	80,010	115,925	153,924	135,828	129,403
NESS Fee	-	63,100	38,875	47,504	16,805
NIWA Levy	96	221	-	-	-
Cabotage Levy	-	164,945	26,401	-	-
NIMASA Levy-Gross Freight	-	-	262,082	-	-
Pipeline Transportation	-	-	27,050	24,610	2,529
Total Flows to Other Entities	1,759,335	2,384,876	1,960,010	1,263,333	958,656
Grand Total	62,944,356	58,079,681	54,555,279	24,790,797	17,054,599

Figure 2.1: Summary of Financial Flows



2.3. Analysis of Volume and Proceeds from Sale of Federation Equity Crude Oil

The total financial flow from sales of federation equity crude oil and domestic crude sales was \$9.876billion in 2016. The Federation Equity Crude Oil and Gas revenue consists of Export Crude Sale, FIRS Crude (which represents tax oil revenue), DPR Crude oil (which represent payment on

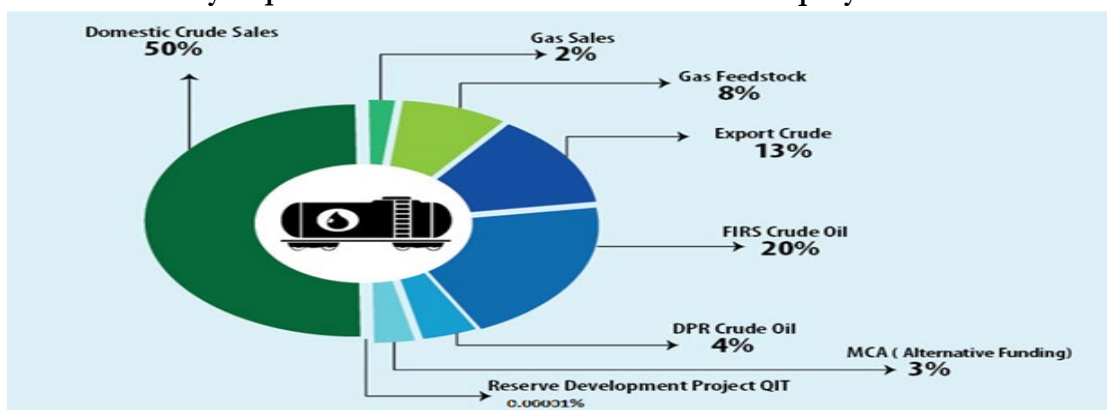
royalties, concession rental), MCA (alternative funding arrangements with JV Operators), Reserve Development Project, Domestic Crude allocation.

Table 2.3: A Summary of Volume and Sales Proceeds of Federation Equity Crude Oil and Gas

S/ N	NNPC Lifting on Behalf of:	2016		Beneficiary Accounts				
		Volume	Value	Direct Federation	FIRS Account	DPR Account	Escrow Account	RDP Account
		Bbls'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
1	Federation Export Crude Oil:							
	Joint Venture Equity Oil	21,003	844,097	844,097				
	Production Sharing Contract- Profit Oil	11,788	517,373	517,373				
	Marginal Field	598	24,746	24,746				
2	Federation Domestic Crude Oil:							
	PPMC	36,642	1,416,217	1,416,217				
	Offshore Processing	10,441	360,719	360,719				
	Refinery Deliveries	23,086	1,047,383	1,047,383				
	Direct Sales Direct Purchase	55,995	2,660,727	2,660,727				
3	Tax Oil:							
	Production Sharing Contract- Tax Oil	50,566	2,183,618		2,183,618			
	Service Contract- Tax Oil	386	15,013		15,013			
4	Royalty Oil:							
	Production Sharing Contract	9,813	391,192			391,192		
5	Concession Rentals	3	115			115		
6	MCA Oil:							
	FIRS- Petroleum Profit Tax	6,234	267,635		267,635			
	DPR- Royalty	1,707	73,391			73,391		
	FIRS- Education tax	200	9,194		9,194			
	MCA Carry Oil	481	21,207				21,207	
	MCA Share Oil	419	16,828				16,828	
7	Reserve Development Project	950	27,498					27,498
	Total	230,313	9,876,952	6,871,261	2,475,460	464,698	38,036	27,498

Source: Extracts from other tables in the report.

Figure 2.2: Summary of proceeds from the sale of Federation Equity Crude Oil



2.4. Summary of Volumetric Federation Exported Gas

The total Federation exported Gas in 2016 is **\$186.81 million** as presented in Table 2.4.

Table 2.4 summary of Volumetric federation exported Gas.

S/N		2016		2015	
		Volume mt'000	Value \$'000	Volume mt'000	Value \$'000
1	LPG/NGL	518	164,495	835	210,725
2	Domestic Exported Gas	35	9,243	22	4,975
3	EGTLEGP Condensate	38	13,079	111	46,989
	Total (A)	591	186,818	968	262,688

2.5. 2016 and 2015 Comparison of NLNG feedstock sales quantity and values (Sales Receivable)

The total Federation Feedstock Sales in 2016 was **\$789.646million** as presented in table 2.5.

Table 2.5: 2016 and 2015 Comparison of NLNG feedstock sales quantity and values (Sales Receivable)

Feedstock Sales							
	2016	2015	%	2016	2015	%	Value
	Quantity	Quantity	Quantity	Value	Value	Change	
	Mbtu' 000	Mbtu' 000	Change	US\$'000	US\$'000		
1st Quarter	154,335	170,864	-9.67%	198,908	321,192	-38.07%	
2nd Quarter	168,138	179,847	-6.51%	183,842	268,761	-31.60%	
3rd Quarter	155,722	181,795	-14.34%	178,474	270,166	-33.94%	
4th Quarter	177,335	170,779	3.84%	228,421	229,708	-0.56%	
Total	655,530	703,286	-6.79%	789,646	1,089,827	-27.54%	

Source: Validated NNPCOMD Feedstock sales profile - 2016 (See Appendix 7) and 2015 NEITI Oil & Gas Audit Report

2.6. Summary of Company-Level Financial Flows

The total unresolved difference in company level flows is \$24,513,029. This represents 0.14% of the aggregated financial flows of \$17.054billion.

The unresolved difference between government and companies resulted from the following:

- i. Pipeline transportation fee: The un-reconciled difference of \$23,185,327 arose due to non-confirmation of receipt by NNPC.
- ii. NDDC Levy: The un-reconciled sum of N200,000,000 (\$770,238) being a payment made by Sterling Oil Exploration. The audit revealed that Sterling paid the naira

equivalent of \$770,238, which was not traceable to NDDC bank account despite the presentation of bank statement showing the debit of the same amount by Sterling Oil.

- a. NCDMB Levy: The un-reconciled difference of \$557,464 arose due to non-confirmation of receipt by NCDMB for the payment by Mobil in August and December 2016. However, NCDMB was able to confirm payments for other months.

The Table below shows the reconciliation of aggregate company financial flows.

Table 2.6: Reconciliation of aggregate company financial flows

S / N	REVENUE STREAM	INITIAL TEMPLATE			ADJUSTMENT			FINAL		
		COMPANY	GOVERNMENT	DIFFERENCES	COMPANY	GOVERNMENT	DIFFERENCES	COMPANY	GOVERNMENT	DIFFERENCES
		\$	\$	\$	\$	\$	\$	\$	\$	\$
1	CGT	176,515,841.00	-	176,515,841.00	-	176,515,841.00	(176,515,841.00)	176,515,841.00	176,515,841.00	-
2	CIT	205,451,532.00	308,585,683.00	(103,134,151.00)	109,394,074.00	6,259,923.00	103,134,151.00	314,845,606.00	314,845,606.00	-
3	CONCESSIONAL RENTALS	476,205.00	256,058.00	220,147.00	302,616.00	522,763.00	(220,147.00)	778,821.00	778,821.00	-
4	EDUCATION TAX	307,875,937.00	294,451,783.00	13,424,155.00	5,808,681.00	19,232,835.00	(13,424,154.00)	313,684,618.00	313,684,618.00	-
5	GAS FLARE PENALTY	7,665,187.00	6,836,587.00	828,600.00	1,134,224.00	1,962,824.00	(828,600.00)	8,799,411.00	8,799,411.00	-
6	NCDMB	64,336,269.00	76,215,365.00	(11,879,096.00)	46,635,474.00	34,198,914.00	12,436,560.00	110,971,743.00	110,414,279.00	557,464.00
7	NDDC	506,156,044.00	494,384,046.00	11,771,998.00	(13,654,014.00)	(2,652,254.00)	(11,001,760.00)	492,502,030.00	491,731,792.00	770,238.00
8	NLNG	390,234,416.00	-	390,234,416.00	(1.00)	390,234,415.00	(390,234,416.00)	390,234,415.00	390,234,415.00	-
9	PIPELINE TRANSPORTATION	79,712,658.00	-	79,712,658.00	(53,998,779.00)	2,528,552.00	(56,527,331.00)	25,713,879.00	2,528,552.00	23,185,327.00
10	PPT	2,654,705,079.00	4,224,996,568.00	(1,570,291,489.00)	1,562,202,458.00	(8,089,031.00)	1,570,291,489.00	4,216,907,537.00	4,216,907,537.00	-
11	ROYALTY GAS	65,785,601.00	35,523,107.00	30,262,494.00	292,312.00	30,554,806.00	(30,262,494.00)	66,077,913.00	66,077,913.00	-
12	ROYALTY OIL	1,064,378,024.00	823,237,822.00	241,140,202.00	512,661,744.00	753,801,946.00	(241,140,202.00)	1,577,039,768.00	1,577,039,768.00	-
	TOTAL	5,523,292,793.00	6,264,487,019.00	(741,194,225.00)	2,170,778,789.00	1,405,071,534.00	765,707,255.00	7,694,071,582.00	7,669,558,553.00	24,513,029.00

2.7. Variance analysis of budgeted cash call to actual funding

The total cash call budget as shown in the table below was \$8.203billion, while the total inflow was \$5.558billion, indicating 68% funding. The total cash call payments were \$4.968billion, out of a total inflow of \$5.558billion, resulting in 89.39% fund utilisation. Non-JV cash call payment was \$874.044million, representing 17.59% of the total expenditure of \$4.968billion. The year under review had a surplus of \$590.325million.

Table 2.7: Variance analysis of cash call funding to cash call expenditures

BUDGET PERFORMANCE					
	ITEM	2016		% Utilization	% Funding
		\$	\$		
Budget Provision (A)			8,203,467,010.00		
Actual Inflow					
	Inflows into JP Morgan JV Cash Call Account	5,558,179,820.77			

	Interest Earned	436,251.59		
	Interest on LC Elcee A/C-NESTOIL	20,687.43		
Total Inflow: (B)		5,558,636,759.79		68%
Difference (A-B)			2,644,830,250.21	
Outflow (Expenditure)				
	Cash Call Payments to JV Operators	3,515,779,837.11		
	Gas Infrastructure	578,486,746.17		
	Non-JV Cash Call Payments	874,044,822.58		
Total Outflow (C)		4,968,311,405.86		89.39%
Difference (A-C)			3,235,155,604.14	
Surplus (B-C)		590,325,353.93		
Source:2016 NAPIMS Templates and Budget				

2.8. Summary of Cash Call Payments

The total cash call paid to JV operators in 2016 dropped by 19.56% from \$4.370billion in 2015 to \$3.516billion. The decline in payment of cash call to JV operators is attributed to economic melt-down and low oil prices that resulted in the decline in oil revenue. Three new indigenous JV operators- Belema Oil (OML 55), Seplat (OML 53) and WAEP (OML 71 and 72) were introduced to cash calls for the first time in December 2016.

Table 2.8: Summary of Cash Call Payments

ENTITY	SOURCE CURRENCY			FUNCTIONAL CURRENCY
	NAIRA	(\$ EQV of a)	USD	USD
	(a)	(b)	(c)	(b+c)
NNPC/SPDC/TEPNG/NAOC	125,815,601,770.00	484,539,789.61	362,314,270.00	846,854,059.61
NNPC/MOBIL	87,963,576,180.00	338,764,446.51	287,390,210.00	626,154,656.51
NNPC/CHEVRON	125,045,711,400.00	481,574,795.50	508,091,320.00	989,666,115.50
NNPC/NAOC	15,994,447,190.00	61,597,655.36	19,639,320.00	81,236,975.36
NNPC/TEPNG	67,936,041,450.00	261,634,604.68	265,503,180.00	527,137,784.68
NNPC/PANOCEAN	18,505,024,240.00	71,266,364.63	124,825,590.00	196,091,954.63
NPDC-CNL	631,923,500.00	2,433,657.48	193,560.00	2,627,217.48
NPDC-SPDC	1,909,300,360.00	7,353,078.53	6,156,130.00	13,509,208.53
NNPC/NEWCROSS	7,694,161,620.00	29,631,678.43	18,829,820.00	48,461,498.43
NNPC/FIRST E&P	1,476,297,170.00	5,685,500.92	2,855,900.00	8,541,400.92
NNPC/EROTON	8,698,425,100.00	33,499,287.91	23,505,700.00	57,004,987.91
NNPC/AITEO	18,545,709,640.00	71,423,051.84	29,994,120.00	101,417,171.84
NNPC/BELEMA	978,406,320.00	3,768,028.65	4,212,200.00	7,980,228.65
NNPC/SEPLAT	1,307,000,000.00	5,033,505.35	3,014,000.00	8,047,505.35
NNPC/WAEP	172,511,550.00	664,374.76	57,680.00	722,054.76
TOTAL	482,674,137,490.00	1,858,869,820.15	1,656,583,000.00	3,515,452,820.15
Source: JP Morgan/Standard Chartered Bank NNPC/CBN JVCC Dollar Cash Call Account, NNPC/CBN JVCC Naira Cash Call Account and Cash Call Mandates.				

Source: JP Morgan NNPC/CBN JV Dollar Cash Call Account, NNPC/CBN JV Naira Cash Call Account and Cash Call Mandates

2.9. Non-Cash Call Expenditure

The total non-cash call expenditure in 2016 was \$874.045million as presented in Table 2.9 below.

Table 2.9. Non-Cash Call Expenditure

NATURE OF PAYMENTS	SOURCE CURRENCY			FUNCTIONAL CURRENCY	(% contribution)
	NAIRA (a)	\$ EQV of (a) (b)	USD (c)	USD (b+c)	
NAPIMS Administrative Overhead	-	-	365,148,209.15	365,148,209.15	41.78
Security	841,442,279.80	3,240,554.11	11,879.32	3,252,433.43	0.37
Training	1,275,245.00	4,911.21	44,414,110.37	44,419,021.58	5.08
WHT and VAT	1,475,814,643.28	5,683,642.62	8,595,975.70	14,279,618.32	1.63
Traveling & Accommodation	120,871,636.91	465,499.64	547,759.06	1,013,258.70	0.12
Survey and Sand Search	3,796,170.00	14,619.77	55,124.55	69,744.32	0.01
Transfer (NEES Fee)	-	-	445,553,431.37	445,553,431.37	50.98
Consultancy	76,711,197.73	295,429.40	0.00	295,429.40	0.03
Community Service (Waste Disposal)	3,551,190.48	13,676.31	0.00	13,676.31	0.01
TOTAL	2,523,462,363.20	9,718,333.06	864,326,489.52	874,044,822.58	100.00

Source: JP Morgan/Standard Chartered Bank NNPC/CBN JVCC Dollar Cash Call Account, NNPC/CBN JVCC Naira Cash Call Account and Cash Call Mandates.

Findings

- A review of the payment mandate and bank statements showed that non-JV Cash Call transactions amounting to \$874.045 million were funded by NAPIMS from CBN/JP Morgan Chase, Standard Chartered Bank Cash Call Dollar Account and CBN/NNPC JV Cash Call Naira Account.
- The amount paid out represents about 10.65% of the national cash call budget or 15.73% of cash call paid out to JV operators.

2.10. Federation Investment Profile in NLNG

The total Federation loan/investment in the NLNG project was \$2,672,926,309 as at December 2016, out of which \$2,638,493,877 has been liquidated leaving an outstanding balance of \$34,432,432.

Table 2.10: Federation Investment Profile in NLNG

	Principal Loan 1995-2005 \$	Interest Capitalized \$	Total Loan \$	Repayment to Date \$	Balance \$
Total	4,043,924,266	1,411,027,387	5,454,951,652	5,384,681,382	70,270,269
Shareholders Loan NNPC 49.00%	1,981,522,890	691,403,419	2,672,926,309	2,638,493,877	34,432,432

Source: 2016 NLNG Template

2.11. Summary of NLNG Loan Repayment, Interest and Dividend Payment

For the period under review, NLNG paid a total of \$390,234,415 to NNPC as loan repayments, interest and dividend. The dividend accruing to the Federation in 2016 was \$356,126,898 representing 91.26% of the total revenues while interest and principal repayment were \$2,323,733 (0.60%) and \$31,783,784 (8.14%) respectively.

Table 2.11: Summary of Loan Repayment, Interest and Dividend Payment

	Amount \$	% contribution
DIVIDEND	356,126,898	91.26%
INTEREST	2,323,733	0.60%
PRINCIPAL	31,783,784	8.14%
Total	390,234,415	

Source: 2016 templates

NNPC confirmed receipt of \$390,234,415 being payment of dividend, loan repayment and interest by NLNG in 2016. These monies were paid into JP Morgan Chase NNPC Depository Account domiciled with the CBN. The NEITI audits have consistently maintained that these monies should be paid into the Federation Account. This position is based on Section 162(1) of the 1999 Constitution of the Federal Republic of Nigeria, which stipulates that “all revenue proceeds should be paid to the Federation Account.” NNPC has always referred to approvals by the Federal Government, authorising it to withhold remittances or in some cases utilise the funds for specific projects such as the Brass LNG Project. NNPC made available these approvals for sighting by our team. The NNPC says that the Ministry of Finance is managing the fund.

2. 12. Social Expenditures by Extractive Companies

Social expenditures are defined as payments or contributions by extractive companies, which can be mandated by law, discretionary, or part of company’s legal and contractual obligations, in cash or in kind, either to a third party or a government agency. In Nigeria, social expenditures are classified as mandatory and non-mandatory payments. The mandatory social expenditures are payments mandated by law that do not accrue to the Federation but to respective agencies that receive the payments. The total social expenditure (mandatory and voluntary expenditures) in 2016 was \$781,741,339, out of which voluntary contribution constituted 20.5% (\$160,272,148), while mandatory contribution consisting of NDDC 3% levy of \$492,065,771¹ and NCDMB 1% levy of \$129,403,420² constituted 79.5% (\$621,469,191) of the total expenditure. In 2016, the total number

¹ Details of companies that paid NDDC Levy is in section7 of the Main Report

² Details of companies that paid NCDMB Levy is in section7of the Main Report

of voluntary social expenditures projects was 457. These projects were executed by 31 out of the 62 entities covered in this audit.

2.13. Transportation revenues

In 2016, the total revenue that accrued as pipeline transportation fee was \$25,713,879. This represents 55% counterpart share of the Federation in the SPDC pipeline JV infrastructure. These fees were paid directly to NNPC as income from the JV.

There was an un-reconciled difference of \$23,185,327.00 due to the inability of NNPC to provide proof of receipt of the total sum paid by SPDC. Neither NNPC nor SPDC provided the basis for the chargeable amount paid by other operators. NAOC liability for pipeline transportation fee for the year under review stood at \$10,382,350. This represents 60% of the NNPC equity in the NNPC/NAOC JV.

2.14. Quasi-Fiscal Expenditure

Quasi-fiscal expenditures are public social expenditures carried out by state-owned enterprises. These expenditures are for social services, fuel subsidies, and national debt servicing or public infrastructure, outside of the approved national budget.

In 2016, there was un-appropriated public spending of ₦ 99.598 billion covering cost due to price differentiation in the importation of fuel by NNPC in the form of under-recovery for imported petroleum products.

The Federal Government discontinued fuel subsidy in 2016. However, NNPC, the sole importer of domestic PMS, introduced a system tagged under/over recovery of petroleum products. The approach aims to offset the shortfall in domestic supply of white fuels with imported products bought with revenues from the sale of excess domestic crude. The balance of the revenue is remitted to the Federation Account. This system commenced in January 2016. Officially, the NNPC commenced the under recovery in June 2016, as there were no recoveries from January to May 2016. The sum of ₦ 99.598 billion accounted for Under/Over recovery of Petroleum Products³.

2.15. Highlights of Key Findings

1. Total revenue flow in 2016, including non-financial flows sums up to \$17.054billion with federation sales of crude, gas and feedstock accounting for 64.08%, while company financial flows constitute 35.91%. However, the total revenue dropped by 31% from \$24.791 billion in 2015 to \$17.054billion in 2016. This is attributed largely, to fall in the price of crude oil and sabotage.
2. The total unresolved difference concerning company level flows is \$24,513,029. This represents 0.14% of the aggregated financial flows of \$17.054billion. The un-reconciled financial flows are NCDMB, pipeline transportation fee and NDDC.

1. ³Details are in appendix 11 report on Downstream operations and Price Modulation Mechanism Report

3. The approved cash call budget in 2016 was \$8.203 billion in 2016 when compared to \$7.359 billion in 2015, representing an 11.48% increase.
4. The total non- JV cash call in 2016 was \$874.045million which represents 10.65% of the national cash call budget or 15.73% of cash call paid out to JV operators.
5. NNPC received from NLNG loan repayment, interest and dividend are totalling \$390,234,415.
6. Inconsistent application of pricing methodology for Export Crude Oil and domestic crude sales led to a revenue loss of \$7.820 million.
7. NNPC recorded a revenue loss of \$2.055 million as a result of underpriced cargoes due to crude quality.
8. NNPC deducted as first line charge for pipeline repairs and maintenance in 2016 was N126.554 billion as against N112.818 billion in 2015.
9. The non-application of forex market rate as advised by CBN to convert the sales proceeds received in US dollars to Naira led to a loss of N260.431million.
10. There was an un-reconciled amount of ~~N~~200,000,000 (\$770,238) being a payment made by Sterling Oil Exploration. The audit revealed that Sterling paid the naira equivalent of \$770,238, which was not traceable to NDDC bank account.
11. There was an un-reconciled amount of \$557,464 being a payment made by Mobil for August and December. The audit revealed that Mobil paid the money into NCDMB TSA account, but NCDMB has no confirmation of the payment in their account.
12. The total gas royalty underpayment is \$ 19,988,735.16. The companies involved are:
NPDC- \$11,585,837.09
ND Western- \$6,595,455.38
Frontier - \$ 1,807,442.69
13. The total gas flared liability in 2016 was **\$3,632,075** incurred by 23 companies, as presented below:

Table 2.12: Total Gas Flared liability

S/N	ENTITY	GAS FLARED (MSCF)	GFP (\$)	LIABILITY AS AT 31 DECEMBER, 2016
1	AADAX (APDNL)	22,411,000	863,090	-863,090
2	AADAX (APENL)	1,242,000	47,832	-47,832
3	AITEO	13,207,000	508,627	-508,627
4	ALLIED ENERGY	1,946,000	74,944	-74,944
5	AMNI	4,466,000	171,994	-171,994
7	BELEMA OIL	2,516,000	96,896	-96,896
8	BRITANIA U	83,000	3,196	-3,196
9	CONOIL	165,000	6,354	-6,354
10	CONTINENTAL	1,359,000	52,338	-52,338
11	DUBRI OIL	1,520,000	67,572	-29,243
12	ENERGIA	3,617,000	139,298	-124,298
13	EROTON	9,929,000	382,385	-297,727

14	FRONTIER	139,000	5,367	-5,367
15	MIDWESTERN	1,545,000	59,606	-59,606
16	NDPR	68,000	2,619	-2,619
17	NEWCROSS	6,484,000	249,711	-249,711
18	NPDC	19,260,000	782,629	-622,595
19	OOL	3,667,000	141,223	-11,432
20	ORIENTAL	4,254,000	163,830	-163,830
21	PANOCEAN	7,000	270	-270
22	PLATFORM	5,278,000	222,309	-214,226
23	YINKA FOLAWIYO	672,000	25,880	-25,880
	TOTAL	103,835,000	4,067,970	-3,632,075

14. The total oil royalty underpayment is \$46,674,360.78. The companies involved are;

Dubri Oil-	\$228,569.87
NPDC-	\$22,835,358.68
Newcross E&P-	\$ 13,715,001.08
ND Western-	\$9,366,000.28
Platform-	\$ 529,430.87

15. NAOC liability for the year under review for pipeline transportation stood at \$10,382,350. This represents 60% of the NNPC equity in the NNPC/NAOC JV.

16. There was an un-reconciled difference of \$23,185,327 of transportation revenue due to the inability of NNPC to provide proof of receipt of the total fund paid by SPDC.

17. A review of other payments by SPDC under Transport Revenue revealed that the sum of \$36,345,675.95 which was paid, and could not be confirmed by NNPC as enumerated below:

- i. Income generated from Power = \$35,588,893.95
- ii. Miscellaneous income = \$357,493
- iii. Income from Osubi airstrip = \$399,289

18. There was a variance of ₦28,516,816,953.75 between PPPRA and DMO. PPPRA did not keep accurate data of all other marketers issued with Debt Notes. It also did not carry-out reconciliation with CBN/MoF on processed subsidy vis-à-vis actual payments to determine whether marketers with zero.

3.0. Volumetric Summary and Key Findings

3.1. Total Crude Oil Production

The total crude oil production in 2016 was 659,137mbbls which is less than 2015 production figure of 776,668mbbls by 117,531mbbl representing a 15.13% drop. There has been a steady decline from 2012 to 2016, with the sharpest drop occurring in 2015 and 2016. Similarly, total crude oil lifting in 2016 dropped by 112,280mbbls from 780,429mbbls in 2015 to 668,148mbbls in 2016, representing a 14.39% decrease.

3.2. Total Crude Oil Production and Lifting

Table 3.1 Total crude oil production and lifting







	2016	2015	Variance
PRODUCTION	Mbbbls	Mbbbls	%
Joint Venture (JV)	289,174	375,524	-23%
Production Sharing Contracts (PSC)	324,071	320,596	1%
Service Contracts (SC)	2,153	2,487	-13%
Sole Risks (SR)	27,182	54,642	-50%
Marginal Fields (MF)	16,557	23,419	-29%
Total Production	659,137	776,668	
Total opening stock	17,817	20,141	-12%
Total stock for lifting	680,213	800,509	-15%
Zafiro crude ⁴	3,259	3,700	-12%
Terminal adjustment/shrinkage ⁵	-	-	
Total available crude for lifting	680,213	800,509	-15%
LIFTING			
FEDERATION LIFTING:			
Federation Export:			
Joint Venture Operators (JV)	138,206	159,784	-14%
Production Sharing Contracts (PSC)	71,776	87,869	-18%
Sole Risk Operators (SR)		40	-100%
Marginal Field Operators (MF)	707	1,792	-61%
Service Contractors (SC)	780	370	111%
Sub-Total Federation Export	211,469	249,855	-15%
Domestic Lifting (Refinery and Export)			
Joint Venture Operators (JV)	33,046	61,644	-46%
Production Sharing Contracts (PSC)	-	1,837	
Service Contractors (SC)	-	-	
Marginal Field (MF)	100	-	
PPMC Domestic crude Supply (Refining/Export)	33,146	63,481	-48%
Sub-Total (Federation + Domestic Lifting)	244,615	313,336	-22%
COMPANY LIFTING:			
Joint Venture Operators (JV)	125,415	155,957	-20%
Production Sharing Contracts (PSC)	253,655	231,455	10%
Sole Risk Operators (SR)	28,346	54,757	-48%
Marginal Field Operators (MF)	14,616	22,741	-36%
Service Contractors (SC)	1,500	2,183	-31%
Sub-total other Operators	423,533	467,093	-9%
Total lifting	668,148	780,429	-14%
Balance closing stock	16,401	20,080	

Source: NEITI 2015 Audit Report and 2016 COMD Production Profile

⁴Zafiro crude represents the production from the unitized zone operated by Nigeria and Mobil Equatorial Guinea which is not included in the production volumes of the Company but included in the lifting volumes of NNPC and the operating company

⁵Shrinkage and Terminal adjustment represent losses due to evaporation and drainages in the Terminals during the process of removing water and sediments from the crude during the period the crude stayed in the tanks before export




Figure 3.1.: A five-year analysis of total crude oil production and lifting
Crude Oil Production and Lifting (mbbls)

PRODUCTION	866,651	800,488	798,542	776,668	659,137
LIFTING	866,646	800,338	796,555	780,429	668,148
% Change in Production		7.63%	0.74%	2.74%	15.13%
% Change in Lifting		7.65%	0.47%	2.02%	12.39%
 Production Lifting					
	2012	2013	2014	2015	2016

3.3. Crude Oil Production by Production Arrangement

Production from JV operations dropped by 86,350mbbls (23%) from 2015 records resulting from disruptions in operations experienced by most JV Companies due to sabotage. SR operators' production dropped by 27,460mbbls (50.25%) from 2015 production. This was due to the non-availability of the injection facilities of some JV companies where they produce to. MF and SC production also reduced by 6,862.48mbbls (29.30%) and 333.59mbbls (13.41%) respectively when compared to 2015.

Figure 3.2 Crude Oil Production-by-Production Arrangements

		TOTAL CRUDE OIL PRODUCTION BY PRODUCTION ARRANGEMENT				
Oil Production Volume (mbbls)		Joint Venture Operators (JV)	Production Sharing Contracts (PSC)	Service Contractors (SC)	Sole Risk (SR)	Marginal Fields (MF)
 2016		289,74.04	324,071.07	2,153.41	27,181.72	16,556.52
 2015		375,524.00	320,596.00	2,487.00	54,642.00	23,419.00

3.4. Total Crude Oil Lifting by NNPC and the Companies

The total crude oil lifting by NNPC in 2016 was 244,615mbbls, which was less than the 2015 lifting of 313,336mbbls, representing 21.93% drop. NNPC lifted 36.61% while the companies lifted 423,533mbbls representing 63.39% of the total volume of crude oil lifted in 2016.

Table 3.2: Total Lifting of Crude Oil by NNPC and Other Companies

TOTAL LIFTING OF CRUDE OIL BY NNPC AND OTHER COMPANIES				
Total Liftings	2015 (mbbls)	% of Lifting	2016 (mbbls)	% of Lifting
NNPC	313,336	40.15%	244,615	36.61%
Other Companies	467,093	59.85%	423,533	63.39%
TOTAL	780,429	100.00%	668,148	100.00%

Source: NEITI 2015 Oil & Gas Audit Report – 2016 COMD production profile

Figure 3.3: Lifting by NNPC & Other Companies



3.5. Crude Oil Losses (Theft & Sabotage)

Losses arising from crude oil theft and sabotage continued in 2016 in the upstream and downstream.

The loss from Crude theft was 19,872,498.78bbbls, while loss from Sabotage was 81,180,605bbbls. These losses are valued at **\$869.02 million** and **\$3.55 billion** respectively. The crude price (\$43.73) used for estimate was computed using the actual monthly sales and quantity figures for 2016.

Two thousand five hundred eighty-nine (2,589) pipeline breaks were recorded.

Figure 3.4: 2016 Crude Oil Losses and Sabotage

Table 3.3. Comparative Analysis of Losses and Deferred Production in 2016 and 2015

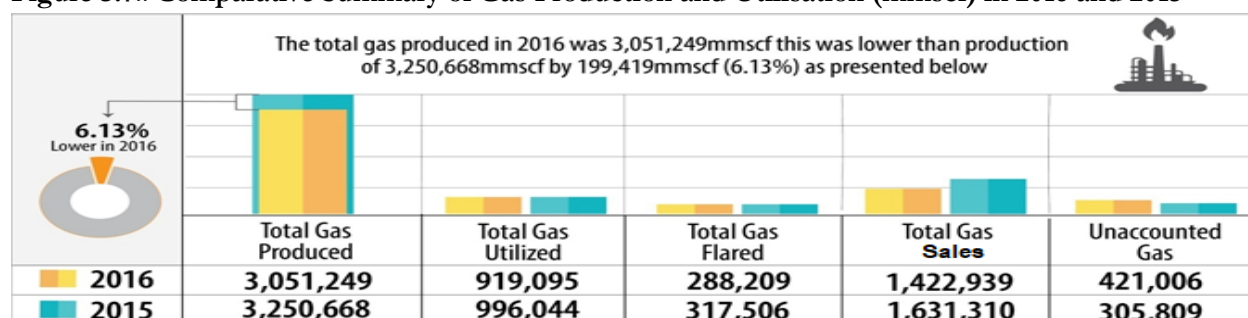
S/N	Nature of Loss	2015	2016
1	Theft	27,121,454	19,872,499
2	Sabotage	-	81,180,605
3	Deferred Production	87,502,901	144,398,873
	TOTAL	114,624,355	245,451,977

3.6. Comparative Summary of Gas Production and Utilization (Mmscf) in 2016 and 2015

The total gas produced in 2016 from all arrangements was 3,051,249mmscf. This was lower than 2015 production of 3,250,668mmscf by 199,419mmscf (6.13%). Federation's share of gas produced in 2016 was 27,141.95mmscf.

Total gas sales volume in 2016 was higher than in 2015 by 208,370.59mmscf (13%). The total volume of gas flared in 2016 reduced slightly by 29,296.96mmscf when compared to 2015. This represents a 9.23% reduction, whereas total gas utilised in 2016 reduced marginally by 76,948.54mmscf when compared to 2015, a 7.73% reduction.

Figure 3.7.: Comparative Summary of Gas Production and Utilisation (mmscf) in 2016 and 2015



3.7. Domestic Crude Allocation

In 2016, the Federal Government allocated a total of 126,163.39mbbls for domestic use. The allocation of 2016 fell short of the annual allocated volume by 36,262mbbls (22.33%).

Table 3.3: Schedule of Domestic Crude Allocation

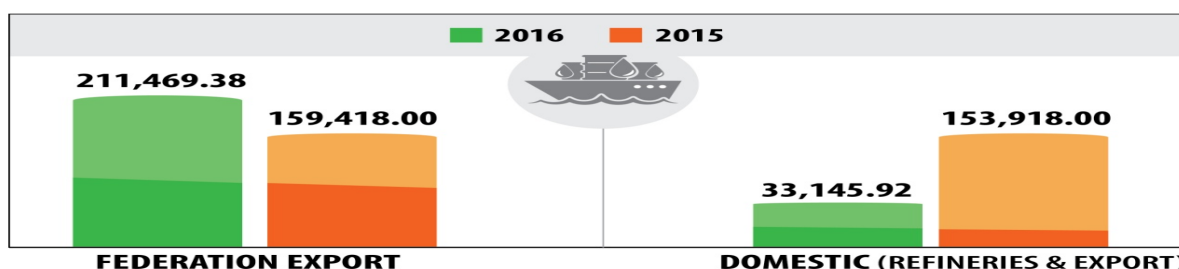
Domestic Crude Allocation (mbbls)	2016
Actual Refinery Supply	23,085.64
Direct Sale Direct Purchase	55,995.395
PPMC lifting (crude product exchange and un-utilized export)	36,641.60
Off-shore Processing	10,440.76
Total	126,163.39
Source: 2016 COMD – COSM Records	

3.8 Allocation of Federation Lifting

Table 3.4: Allocation of Federation Lifting

Year	2016	2015
	mbbls	Mbbls
Federation Export	211,469.38	159,418.00
Domestic (Refineries & Export)	33,145.92	153,918.00
Grand Total	244,615.29	313,336.00

Figure 3.8.: Comparative analysis of federation lifting and allocation



3.9. Refinery Balances

A summary of the key issues relating to refinery balances is provided under the headings below (for further details, refer to Section 7.5 of the main report):

- I. Kaduna Refinery: For the products material balance, there was a difference of 446 MT. The refinery closing stock was lower than the calculated closing stock.
- II. Port Harcourt Refinery: The products material balance had a closing stock lower than that calculated by the IA by 14,550.99 MT.
- III. Warri Refinery: Total losses comprising of burnt coke, internal consumption and operational losses from production amounted to 124,514 MT.

3.10. 2016 Pipeline Losses

The total loss of PMS in 2016 was 113,470,000 Litres. This amounted to N9, 576,799,580.00 resulting from 2,589 pipeline breakages. There was no information on AGO and DPK losses.

Table 3.5: 2016 Pipeline Losses

Product	(MT)	Ltrs	Unit Price (₦)	Value (₦)	MONTH
PMS	73,516	99,721,000	77.66	7,744,332,860.00	January to April
	10,136	13,749,000	133.28	1,832,466,720.00	May to December
TOTAL (PMS)	83,652	113,470,000		9,576,799,580.00	
AGO	571	645,198	245	158,073,446	January to December
TOTAL	84,223	114,115,198		9,734,873,026	
1 MT =1,356.4471935108 Litres for Liquid of 737.22kg/m ³ for PMS					
1 MT =1,129.9435028249 Litres for Liquid of 885kg/m ³ for AGO					
1 MT =1,223.7655265251 Litres for Liquid of 817.5kg/m ³ for HHK					

3.11. Highlight of Findings

1. Total crude production in 2016 dropped to 659,136.76 million barrels from 776.668 million barrels in 2015 (reduced by 15.13%). This implies that average daily production in 2016 was 1.803 million barrels.
2. The total crude oil lifting in 2016 was 668,148.17 mbbbls as against 780,429 mbbbls in 2015 representing 14.39% decrease (112,280 mbbbls).
3. The total volume of crude oil loss in 2016 as a result of sabotage and theft from the operators' facilities increased significantly by 272.6% from 27mbbbls in 2015 to 101,053mbbbls. The monetary value of this loss at an average price of \$43.73 is \$4.419billion.
4. Gas production decreased from 3,250,669 mmscf in 2015 to 3,051,249 mmscf in 2016 representing 6.13% decrease.
5. The total volume of gas sales in 2016 was 1,422,939 mmscf representing 46.63% of total production.
6. Total gas flared in 2016 was 288,209 mmscf, which is 9.45% of total production.
7. Unaccounted gas increased by 115,197 representing 37.67%. There is a need for DPR to investigate this significant increase.
8. Internally utilized gas decreased by 7.7% from 996,044mmscf in 2015 to 919,095mmscf in 2016.
9. PMS depot balance showed record unaccounted losses of 83,652 mt, which is equivalent to 113,470,000 litres. At an average PMS pump price of ₦84.40, the total unaccounted loss is ₦9,576,799,580.00.
10. AGO depot balance showed unaccounted losses of 571mt which is equivalent to 645,198 litres. At an average AGO pump price of ₦245, the total unaccounted loss is ₦158,073,446
11. There was a total of 2,589 breakages in 2016 as against 2,832 in 2015 representing 5.58% decrease.
12. NNPC accounted for ₦ 20.390 billion as Crude and Product Oil losses in 2016; this represents 66.57% drop from ₦60.69 billion in 2015.
13. NNPC discontinued subsidy payment in 2016 but introduced under recovery/over recovery which claimed ₦ 99.598 billion.
14. NNPC deducted first line charge of ₦126.554 billion for pipeline repairs and maintenance in 2016 as against ₦ 112.818 billion in 2015.

3.12 Major Recommendations in 2016

S/ N	ISSUE	FINDINGS	IMPLICATION	RECOMMENDATION	ENTITY'S RESPONSE
1	Inconsistency in Pricing Methodology (Export Crude)	In the first quarter of 2016 (i.e. January – March), there were three cases of under-remittance, whereby unit prices and crude values on the sales invoice were higher than what was indicated in sales Profile. However, this practice has been discontinued.	This practice led to an aggregate revenue loss of \$7.820 million.	NNPC should refund \$7.820 million to the Federation Account.	The practice has been discontinued.
2	Domestic Crude Sales	<p>NNPC did not apply market rate as advised by CBN to convert the sales proceeds received in US dollars.</p> <p>NNPC explanation is that conversions were done at FAAC official rate as against the CBN rate.</p> <p>However, the audit position is that Sales Proceeds received in US\$ should have been remitted using the prevailing CBN rate for the month. The rationale being that these were transactions which originated between NNPC and third-parties (i.e. Government-to-Business) and NNPC should have used the prevailing “market rate” at the time of remittance</p>	This practice led to under-remittance of N260.431 million	<p>NNPC should refund N260.43 million to the Federation Account.</p> <p>NNPC should always use market rate to convert proceeds received from the third party in USD. The use of FAAC rate should be limited to Government proceeds.</p>	

		to the destination account (i.e. Federation account). Therefore, NNPC using FAAC/ Government rate has resulted in a hidden gain to NNPC whereby treating the transactions as one that originated as Government-to-Government.			
3	First line deductions from federation domestic crude sales proceeds	<p>NNPC deducted first line charge for pipeline repairs and maintenance in 2016 was N126.554 billion.</p> <p>Most of the payments such as ITF contribution, NPA, PEF, Salaries, Employee pension etc. do not directly relate to pipelines repairs and maintenance</p>	The inclusion of other non-related expenses into the account of pipeline repairs and maintenance shows lack of transparency and accountability.	<p>1. A periodic audit by the Federal Government to verify the utilisation of amount deducted for pipeline maintenance and repairs should be undertaken.</p> <p>2. The government should consider the following options:</p> <ol style="list-style-type: none"> a) Allocating specific crude volume to NNPC to cater for their operational cost. b) Consider a specific percentage of their revenue collection to cater for their cost as in Nigeria Customs Service, FIRS and DPR c) Define the ceiling to be expended in defraying their costs. 	

4	NDDC Levy	There was an un-reconciled amount of ₦200,000,000 (\$770,238) being a payment made by Sterling Oil Exploration. The audit revealed that Sterling paid the naira equivalent of \$770,238, which was not traceable to NDDC bank account.	Possible loss due to poor record keeping	NDDC to ensure reconciliation of the differences with Sterling and confirm payment of the funds to the Bank account. (for 2016, \$770,238 & 2015, \$890,902 for 2015)	
5	Signature Bonus	There was no payment for signature bonus in 2016. However, payments made by companies as a premium for license renewals were credited into the signature bonus account.	The non-classification, in some instances, of payments into this account made it difficult to ascertain the purpose of some payments.	Henceforth, companies should properly classify payments made into the signature bonus account. Also, DPR may consider opening a separate account for license renewals to ensure accountability.	
6	NCDMB Payments	There was an un-reconciled amount of \$557,464 being a payment made by Mobil for August and December. The audit revealed that Mobil paid the money into NCDMB TSA account, but NCDMB has no confirmation of the payment in their account.		NCDMB to ensure that the funds are traced to the Bank account.	
7	Gas Flare Penalties	There was a total liability of \$3,632,075 incurred by 23 companies. (See Table 5.3.1)	Possible revenue loss on account of delayed payment	DPR should follow up and confirm recovery of outstanding payment of \$3.632 million.	
8	Gas Royalty	The total gas royalty underpayment is \$ 19,988,735.16. The companies involved are:	Possible revenue loss due to underpayment by	DPR should follow up and recover the outstanding sum of \$19,988,735.16 from NPDC, ND Western	

		NPDC- \$11,585,837.09 NDWestern-\$6,595,455.38 Frontier – \$ 1,807,442.69	companies.	and Frontier.	
9	Oil Royalty	The total oil royalty underpayment is \$ 46,674,360.78. The companies involved are: Dubri Oil- \$228,569.87 NPDC- \$22,835,358.68 Newcross E&P- \$ 13,715,001.08 NDWestern-\$9,366,000.28 Platform - \$ 529,430.87	The nonpayment by these companies will result to revenue loss.	DPR should follow up and confirm recovery of outstanding payment of \$46.674 million.	Entities signed off on these liabilities
		The following companies defaulted in payment of royalty in 2016 Panocean, Shoreline and Yinka Folawiyo.	The nonpayment by these companies will result in revenue loss to the federation. It is worthy to note that, Pan Ocean did not make any financial payments in 2016, despite being in JV arrangement with the Federation.	DPR should investigate the nonpayment by these companies and ensure recovery as appropriate.	

10	Pipeline transportation revenue	<p>1. Demurrage Receipt: - the NNPC described this income as transportation revenue, which accounted for only \$2,528,552-received from SPDC on the 23 July 2016 as against \$25,713,879 reported by SPDC.</p> <p>2. Neither NNPC nor SPDC could provide the basis for the computation of the amount paid by other operators. This is expected to provide the basis for determining the amount due to the government.</p>	<p>1. This led to an un-reconciled difference of \$23,185,327 due to the inability of NNPC to provide proof of receipt of the total fund paid by SPDC.</p>	<p>NNPC and SPDC should provide the basis for the computation of amount payable to ensure that the government receive what is due. NNPC should account for the difference.</p>	
		<p>NAOC liability for the year under review stood at \$10,382,350. This represents 60% of the NNPC equity in the NNPC/NAOC JV.</p>	<p>The outstanding liability of \$10,382,350 led to a reduction in government revenue.</p>	<p>NNPC to follow up and recover \$10.382million from NAOC.</p>	<p>NAOC has confirmed the liability. The next audit will need to confirm the payment.</p>
11	Unaccounted revenue by NNPC	<p>Further analysis of Transport Revenue as submitted by SPDC revealed that other payments were made as enumerated below:</p> <ul style="list-style-type: none"> i. Power \$35,588,893.95 ii. Miscellaneous income \$357,493.00 iii. Osubi airstrip \$399,289.00 <p>TOTAL</p>	<p>This could lead to financial misstatement, while the misclassification of income into inappropriate sub-heads may result in an overstatement of such</p>	<p>1. NNPC should account for the sum of \$36,345,675.95 as reported. 2. NNPC to follow up on all revenues due to JV companies.</p>	

		\$36,345,675.95	sub-heads.		
12	Petroleum Profit Tax	The following companies defaulted in tax payment in 2016: Aiteo, Allied Energy, Belema Oil, Britannia-U, Dubri Oil, Energia Limited, Midwestern, Pan Ocean, SA Petroleum, Seplat, and Yinka Folawiyo. Express Petroleum and Sheba Petroleum did not provide relevant information to the audit.	This leads to revenue loss to the Federation.	FIRS should carry out tax audit of these defaulting companies. There is a need for the Federal Ministry of Finance to task FIRS to provide a status update on all companies and their outstanding liabilities till date.	
13	Reconciliation of the debt notes issued to other marketers and the actual refund thereon in 2016	There was a variance of ₦28, 516,816,953.75 between PPPRA and DMO. PPPRA did not keep accurate data of all other marketers issued with Debt Notes. It also did not carry-out reconciliation with CBN/MoF on processed subsidy vis-à-vis actual payments to determine whether marketers with zero importation/under importations were allocated foreign exchange.		PPPRA to reconcile the difference	

