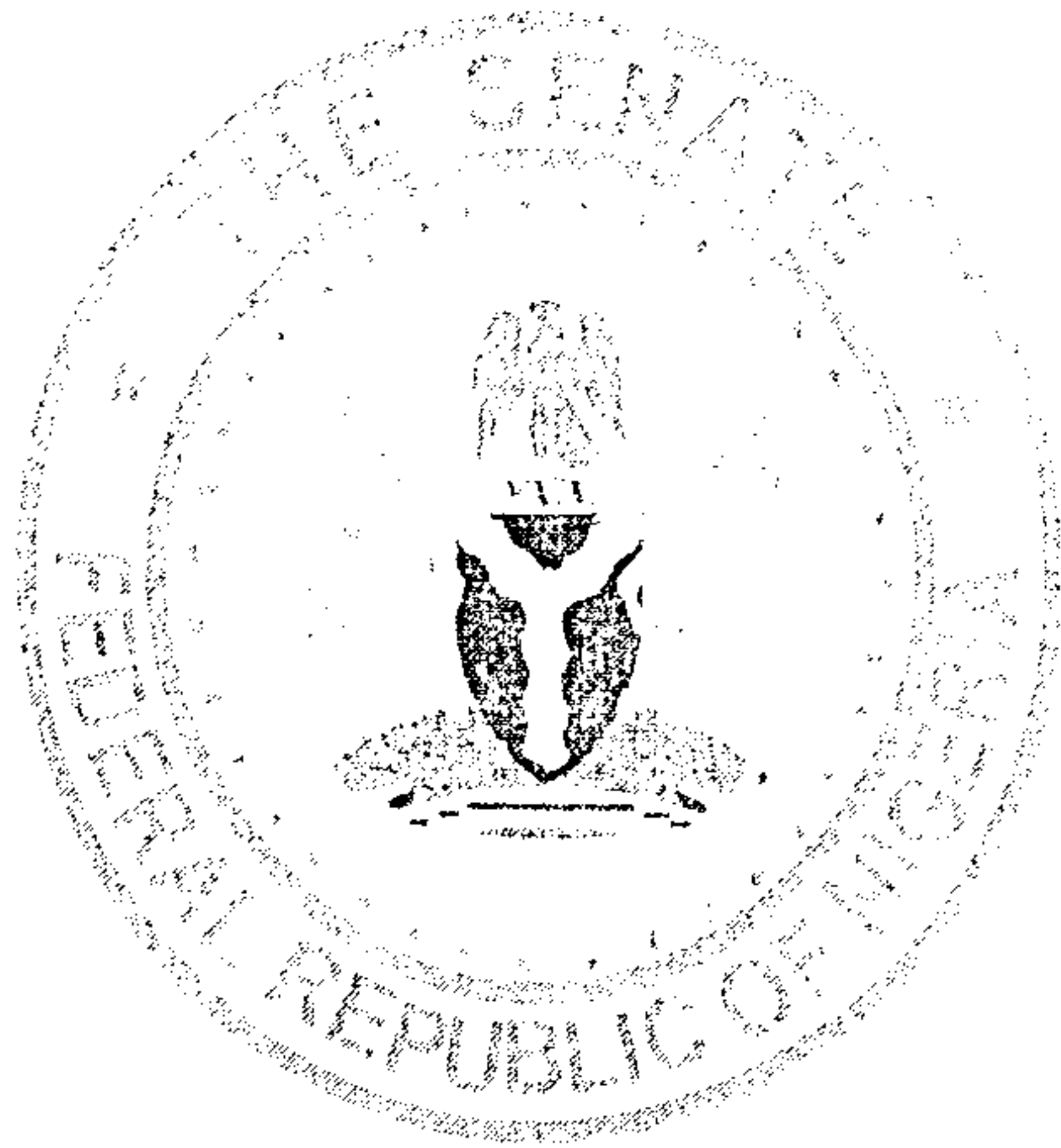




REPORT

OF THE

SENATE COMMITTEE ON FINANCE

ON THE

*INVESTIGATION OF THE ALLEGED
UNREMITTED US\$49.8 BILLION OIL
REVENUE BY NIGERIAN NATIONAL
PETROLEUM CORPORATION (NNPC)*

MAY, 2014

REPORT OF THE SENATE COMMITTEE ON FINANCE ON THE INVESTIGATION OF THE ALLEGED UNREMITTED US\$49.8 BILLION OIL REVENUE BY NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC)

1.0 INTRODUCTION

The Senate at its sitting on Wednesday, 11th December, 2013 entertained a matter of urgent public importance raised by Senator Olubunmi A. Adetunmbi (Ekiti North) who drew the attention of the Senate to a Leadership Newspaper publication of 11th December, 2013 titled ***“Outrage Trails US\$49.8 billion Unremitted Oil Revenue”***. The matter was referred to the Committee on Finance for further legislative action.

2.0 BACKGROUND

Your Excellency, Distinguished Senators, you may recall that the Senate at its sitting on Thursday, 19th September, 2013 mandated the Committee on Finance and Appropriations to investigate causes of Fallen Revenues and to ascertain the level of implementation of the 2013 Appropriation Act. The Joint Committee is investigating all revenue generating Agencies which includes the Nigerian National Petroleum Corporation (NNPC). The Senate also at its sitting on Wednesday 11th December, 2013

mandated the Committee on Finance to investigate the alleged non-remittance of US\$49.8 billion to the Federation Account by the NNPC as reported in Leadership Newspaper publication of 11th December, 2013.

Also the Senate at its Sitting on Thursday, 20th February, 2014 referred to the Committee a Motion sponsored by Senator Babajide C. Omoworare (Osun East) on the Urgent Need to Stop N700 Million a Day Illegal Kerosene Subsidy.

However, this report only relates to Alleged Unremitted US\$49.8 billion Revenues by NNPC and the Urgent Need to Stop N700 Million a Day Illegal Kerosene Subsidy. The subject matter emanated as a result of a letter from the Governor of Central Bank (CBN), Mallam Sanusi Lamido Sanusi to the President, Commander-in-Chief of the Armed Forces on the non-remittance to the Federation Account by Nigerian National Petroleum Corporation (NNPC) of US\$49.8 billion representing 76% of the value of crude oil lifting from January 2012 to July, 2013, and other related matters (See Annexure SEN 1A).

3.0 MEMBERSHIP

1. Senator Ahmed M. Makarfi CON - Chairman
2. Senator Joshua C. Dariye, JP, fca - Vice Chairman

3.	Senator Aloysius A. Etok	-	Member
4.	Senator Maina M. Lawan	-	"
5.	Senator Adamu I. Gumba	-	"
6.	Senator Clever M. Ikisikpo	-	"
7.	Senator Isa M. Galaudu	-	"
8.	Senator Nenadi E. Usman	-	"
9.	Senator Ayo P. Akinyelure	-	"
10.	Senator Abubakar O. Saraki	-	"
11.	Senator Andy E. Uba	-	Member

3.1 **SECRETARIAT**

Abdullahi El- Rasheed	-	Committee Clerk
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4.0 **METHODOLOGY**

The Committee held a meeting on 16th December, 2013 and agreed on modalities of conducting the investigation which included the receipt of memoranda from identified Stakeholders and conducting Public Hearings. The Public Hearing was declared open by the Senate President, Dr. David A. B. Mark GCON on 18th December, 2013; subsequent Hearings were conducted on 4th, 13th, 20th February, and 6th March, 2014, respectively.

The Committee has also written letters within the period of investigation to identified stakeholders demanding information/documents on the subject matter as follows:

1. FEDERAL MINISTRY OF FINANCE

The Ministry was instructed to furnish the Committee with the following information:

- (a) Whether in their opinion US\$49.8 billion proceeds of sales of Crude /Gas was unremitted by NNPC;
- (b) If NNPC had not remitted any remittable revenues at all and according to their records how much that was;
- (c) Details of subsidy payments to NNPC for PMS and Kerosene (DPK) in 2012 and 2013;
- (d) Details of deductions made by NNPC in respect of PMS subsidy on month to month basis based on FAAC records or any returns received by the Ministry and;
- (e) Amounts appropriated by National Assembly in 2012 and 2013 for PMS and Kerosene (DPK) subsidy.

2. CENTRAL BANK OF NIGERIA (CBN)

The CBN was directed to provide the following:

- (a) Copy of its letter to Mr President on the subject matter;

- (b) Any other documents to support its position on the contents of the letter to Mr President;
- (c) Whether since the said letter, further information had come to light to make it have a different opinion. If so, what, in its opinion was the current position in respect of unremitted revenues;
- (d) In specific terms how much out of the US\$6 billion crude liftings on behalf of the NPDC by NNPC belongs to the Federation Account and the basis for this assertion; and
- (e) Its position on how much need to be accounted for as at 3rd March, 2014 taking into consideration all the reconciliations and presentations.

3. **NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC)**

The NNPC was asked to provide the following:

- (a) Written statement if they were aware of CBN Governor's letter on the subject matter;
- (b) If they had previously responded to the CBN Governor's letter to provide the Committee a copy of its response to the letter;
- (c) If they had not responded to the letter before, then their response to it now;

- (d) If there was unremitted funds to the Federation Account to provide details of such in writing;
- (e) If there was any uncollected/accounted proceeds of sales of Crude/Gas at all to provide details of such in writing;
- (f) If they had written off any sales proceeds at all to provide details of such in writing;
- (g) Details of expenditure incurred on behalf of the Federation by the NNPC out of the Crude oil sales proceeds;
- (h) Details of payments for subsidy on kerosene and or PMS indicating date, amount, beneficiary, evidence of such payments and authority to incur such expenditure, with supporting documents; and
- (i) Details on the US\$2 billion lifting under Third Party Financing including the entities involved their addresses and how much was for each party.

4. DEPARTMENT OF PETROLEUM RESOURCES (DPR)

The DPR was directed to furnish the Committee with the following details:

- (a) Written statement if they were aware of CBN Governor's letter on the subject matter and their response to it in writing;
- (b) How much of the alleged US\$49.8 billion unremitted Oil/Gas Revenues in the period under consideration they have

collected and remitted to FAAC. They should provide details and documents supporting collection and remittance;

- (c) Details of subsidy payments to NNPC for PMS and kerosene (DPK) in 2012 and 2013 if they were in possession of such information; and
- (d) Confirmation of receipt of royalty in the sum of US\$864,817,552.86 from NPDC and if they have remitted same to the Federation Account.

5. **PETROLEUM PRODUCTS PRICING REGULATORY AGENCY (PPPRA)**

The PPPRA was requested to provide answers to the following questions:

- (a) Details of subsidy claims due and certified to NNPC from January 2012 to December, 2013;
- (b) In respect of Kerosene (DPK) subsidy, they should provide the Committee with authority to incur such expenditure;
- (c) Detail of subsidy due to other marketers from January 2012- December 2013;
- (d) Certification of N180 billion (US\$1.2 billion) withheld by NNPC in 2012 as Subsidy for Fourth Quarter 2011 imports.

6. **FEDERAL MINISTRY OF PETROLEUM RESOURCES**

The following were required from the Ministry:

- (a) If they were aware of the CBN Governor's letter on the subject matter and had previously responded to it, to provide a copy of such response;
- (b) If they had not previously responded to it to provide the Committee with their current response; and
- (c) If there were any unremitted proceeds of sales of Crude/Gas at all how much that would be going by their records.

7. **FEDERAL INLAND REVENUE SERVICES (FIRS)**

The Federal Inland Revenue Service (FIRS) was requested to provide answers to the following questions:

- (a) How much of the alleged US\$49.8 billion unremitted Oil/Gas Revenue in the period under consideration they had collected and remitted to Federation Account Allocation Committee (FAAC) providing details and documents supporting collection and remittance both in Dollar and Naira.
- (b) Confirmation of receipt of PPT in the sum of US\$863,000,000 from NPDC between January 2012 to July, 2013.

8. **NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (NEITI)**

It was requested to provide:

- (a) Its opinion on the alleged assertion by the CBN Governor; and
- (b) Written submission, if in their opinion the NNPC had not remitted any proceeds of sales of Crude/Gas to the Federation Account and stating how much of such funds stand unremitted.

9. **ATTORNEY-GENERAL OF THE FEDERATION AND MINISTER OF JUSTICE**

The Attorney General of the Federation (AGF) was requested to provide legal opinion on the following:

- (a) The legality of NNPC transferring some oil blocks to NPDC and also the Strategic alliances entered into by the NPDC with third parties in respect of the Assets transferred to them; and
- (b) The rights over revenue distribution/sharing accruing from the Assets transferred to the NPDC by the NNPC especially in respect of the US\$6 billion crude lifting between January 2012 to July, 2013.

10. NIGERIAN PETROLEUM DEVELOPMENT COMPANY (NPDC)

The NPDC was requested to confirm to the Committee in writing whether NNPC remitted US\$6 billion to the NPDC between January 2012 and July 2013 being proceeds of sales of crude if so to provide the Committee with the following:

- (a) Current Bank Balances;
- (b) Details of Expenses with supporting documents incurred and paid from the US\$6 billion received by the Company; and
- (c) Current annual audited accounts.

11. AUDITOR GENERAL FOR THE FEDERATION

He was directed to inform the Committee whether he had decided to and commenced forensic auditing of NNPC accounts in respect of the allegation, especially as it relates but not limited to:

- (a) Subsidy claims/deductions in respect of PMS and Kerosene.
- (b) Other expenses incurred by NNPC and paid for from oil revenues that should have gone to Federation Account
- (c) Correctness of revenues paid into the Federation Account by NNPC.

12. ACCOUNTANT GENERAL OF THE FEDERATION

He was required to provide confirmation of receipt of revenues due to the FAAC in respect of Third Party Financing liftings by NNPC

totalling US\$2.4 billion in particular if the total sums of US\$211,421,677.33, US\$300 million and US\$858,750,973.03 had been received into the Federation Account.

13. TOTAL E&P

The company was requested to provide confirmation of NNPC submission on the Third Party Financing obligation in respect of their Company and any sums of money received by it under the arrangement.

14. MOBIL PRODUCING NIGERIA LIMITED

The company was directed to provide confirmation of NNPC submission on the Third Party Financing obligation in respect of their Company and any sums of money received by it under the arrangement.

4.1 The Committee appointed two (2) consultants **SADA IDRIS & CO and AYORINDE OSOMO & CO** to audit and give professional opinions on some of the expenses incurred by the NNPC amounting to US\$2.13 billion.

The Committee's correspondence to the above listed MDAs and Consultants are hereby attached (See Annexure SEN 1B).

5.0 PRESENTATION/SUBMISSIONS BY STAKEHOLDERS

5.1 CENTRAL BANK NIGERIA (CBN)

The Governor of Central Bank of Nigeria (CBN) Mal. Sanusi L. Sanusi made an oral presentation on 18th December, 2013 that sequel to reconciliation between the parties the unremitted revenues was US\$12 billion, while on 4th February, 2014, he made oral/written submission that:

- (a) In his letter to Mr. President, he indicated that there was a difference between the value of crude lifted by NNPC (US\$65billion) between January, 2012 and July, 2013 and the amount repatriated to the Federation Account (US\$15billion). The difference of almost US\$50 billion and he advised the President to order an investigation into the causes of leakages in oil revenue;
- (b) There were several allegations against the NNPC for non-remittances of funds to the Federation Account e.g. NEITI, KPMG audit, and Nuhu Ribadu Committee all made such allegations before;
- (c) It was established from NNPC submission that out of the US\$67 billion crude shipped by NNPC between January

2013 and July 2013, only US\$47 billion was remitted to the Federation Accounts. Thus:

- (i) US\$14 billion as equity crude;
 - (ii) US\$15 billion as payment to FIRS by IOCs. They paid in crude which was lifted by NNPC on behalf of FIRS;
 - (iii) US\$2billion Royalty Payments to DPR by IOCs under similar arrangements; and
 - (iv) US\$16billion out of the 28 billion lifted by NNPC taken as domestic crude;
- (d) That the claims by NNPC of spending about US\$8.76 billion on subsidy on PMS/DPK are not credible. NNPC constantly rendered returns to FAAC from April 2012 indicating that it made no deduction for subsidy on PMS.
- (e) That kerosene is not a subsidised product and that the so called subsidy is rent generated for the benefit of those in the kerosene business. There is evidence that late President Yar'adua (GCFR) had issued a presidential directive eliminating this subsidy payment as from July 2009. These huge losses inflicted on the Federation Account had not been appropriated by the National Assembly;

- (f) NNPC has been unilaterally generating rent for itself and players in the Kerosene business at the rate of US\$100 million every month for a number of years. This entire amount represent a direct loss to the Federation Account which raised the following issues:
 - (i) Non remittance of proceeds to FAAC;
 - (ii) Violation of presidential directive; and
 - (iii) Paying subsidy on a product that is not subsidised;
- (g) That based on NNPC disclosure to the effect that it shipped US\$6 billion worth of crude oil on behalf of NPDC, he believes part of the money is due to the Federation Account;
- (h) CBN's records shows that NNPC withheld US\$1.2b as subsidy for fourth quarter 2011 imports and if PPPRA confirms US\$1.2 billion claims as valid, CBN will accept; and
- (i) The US\$2 billion claimed by NNPC as Lifting under Third Party Financing needed to be verified and proven. (See Annexure SEN 2A &B).

5.2.1 NIGERIA NATIONAL PETROLEUM CORPORATION (NNPC)

The Group Managing Director (GMD) of Nigeria National Petroleum Corporation (NNPC), Mr Andrew L. Yakubu made oral

and written submission to the Committee on the 13th February, 2014 that:

- (a) Following the Inter-Agency Reconciliation, the alleged unremitted oil revenue by NNPC was reviewed to about 10.87 billion;
- (b) the US\$10.87 billion oil revenue alleged to have been unremitted were applied/expended by the Corporation as follows:
 - (i) Subsidy on Petroleum Products (PMS/DPK) totalling the sum of US\$8.76 billion;
 - (ii) Crude oil product losses amounting to US\$0.76 billion;
 - (iii) National strategic reserves holding cost amounting to US\$0.46 billion; and
 - (iv) Pipeline maintenance and management cost amounting to US\$0.91 billion;
- (c) The sum of US\$8.76 billion subsidy claims have been fully reconciled and signed off by the Statutory Agencies;
- (d) The subsidy provision of N888.101 and N971.138 billion appropriated for subsidy for 2012 and 2013 respectively was grossly inadequate to meet the requirement of subsidy payment to both NNPC and other marketers;

- (e) NNPC continued to sustain petroleum product supply even when other marketers refused to supply due to non-payment of subsidy. This led to the accumulation of US\$8.76 as subsidy due to NNPC for petroleum product supply during the period under review;
- (f) The pipeline vandalism along petroleum product distribution network is more extensive affecting nearly all regions of the country. In the period under review, NNPC lost 463,185,000 litres of PMS, 2,392,000 litres of DPK and 47,643,000 litres of AGO amounting to US\$296,047,770.15;
- (g) NNPC recorded US\$0.76 billion on crude oil and petroleum product losses during the period under review;
- (h) Non availability of Inland storage facilities as a result of continuous vandalisation of NNPC's supply and distribution assets has led to increase costs as NNPC is compelled to resort to offshore storage to maintain its strategic petroleum products stocks;
- (i) NNPC spent the sum of US\$0.46 billion in discharging its responsibility stated in (h) above. The cost is not covered under the PPPRA pricing template;

- (j) NNPC operates over 500km of pipelines and 22 Depot across the nation, in discharge of its statutory duties as provided in section 5 of the NNPC Act CAP N123 has to carry out the maintenance of these assets; and
- (k) The sum of US\$0.91 billion was incurred on pipeline and Depot management and repairs.

2.2 The Group Managing Director, NNPC made further presentation on the 13th March, 2014 that:

- (a) The Third Party Financing obligations of the Corporation totalling about US\$2.5 billion relates to the USAN Field Trial Marketing Period (TMP) lifting of US\$1,053,519,002.22; Reserve Development Project (RDP) lifting of US\$518,069,354.32; and the Satellite Field Development (SFD) Financing Proceeds of US\$858,750,973.03; and
- (b) Confirmed that the sum of US\$300,000,000 was transferred to the Federation Account by the Reserve Development Projects (RDP); US\$211,421,677.33 by USAN Field TMP Lifting; and US\$858,750,973.03 by the Satellite Field Development Project respectively (See Annexure SEN3A– D).

FEDERAL MINISTRY OF FINANCE

The Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala presented the "Reconciliation Report" of Technical Team on 13th February, 2014 as follows:

- (a) That reconciliation meeting was held among the relevant Agencies (MOF, MPR, CBN, NNPC, DPR and FIRS) on 16th – 17th December, 2013 at the Ministry of Finance Headquarters;
- (b) During the reconciliation meeting in December, 2013 NNPC stated that within the period under review its total crude lifting amounted to US\$67.12 billion. This comprised of:
 - (i) Revenues directly accrued to NNPC (for the Federation Account = US\$14 billion;
 - (ii) Revenues from lifting by NNPC on behalf of FIRS = US\$15 billion;
 - (iii) DPR = US\$2 billion;
 - (iv) NPDC = US\$6 billion;
 - (v) Third Party Financing = US\$2 Billion; and
 - (vi) Domestic earning = US\$28 billion.
- c) Records of the monthly Federation Allocation Committee (FAAC) meetings already indicated that a short fall of

US\$10.8 billion had been recorded from domestic crude oil revenue receipts over the period under review;

(d) At the reconciliation exercise on 6th February, 2014 NNPC provided further clarification for the observed US\$10.8 Billion shortfall in domestic crude oil revenue receipts. The shortfall comprised of various operating losses (for the period January 2012 – July 2013) due to:

- (i) unpaid subsidy claims = US\$8.77 billion;
- (ii) Holdings cost of strategic reserves = US\$0.46 Billion;
- (iii) Crude oil and product losses = US\$0.76 billion; and
- (iv) Pipeline and management costs = US\$0.91 billion.

(e) Further verification which involves technical expertise may be needed to bring it to conclusion; and

(f) That at no time the Ministry of Finance authorize subsidy payment for kerosene (DPK) (Annexure SEN 4 and 16).

1.1 PETROLEUM PRODUCT PRICING REGULATORY AGENCY (PPPRA)

The Executive Secretary of the petroleum Product Pricing Regulatory (PPPRA), Mr. Reginald Stanley made an oral/written presentation on 13th February, 2014 that:

- (a) The true gross PMS subsidy for January, 2012 – July 2013 based on import B/L Quality was US\$5,254,747,033.14 equivalent to N813,802,673,022.38;
- (b) The true gross DPK subsidy for January, 2012 – July, 2013 based on Import B/L Quality was US\$3,511,915,790.83 equivalent to N543,890,398,525.79;
- (c) The data is a true reflection of the relevant Agencies reconciled position on the subsidy due to NNPC in respect of the valid PMS/DPK discharges within the period under review;

5.4.2 The new Executive Secretary of PPPRA, Dr. Farouk Ahmed made further submission and presentation on 6th March, 2014 that:

- (a) In 2012, the subsidy claims for other marketers for PMS was 7,714,725,580.71 litres which corresponds to N461,040,708,364.46 equivalent to US\$2,78,322,76.02;
- (b) In 2013, the total volume delivered for subsidy claims for other marketers was 8,997,776,625.81 litres which corresponds to N467,620,656,674.24 equivalent to US\$3,020,829,442.11;

- (c) August –December, 2013 Subsidy claims for PMS was N98,593,635,120.87 equivalent to US\$636,914,882.88 (Interim Report);
- (d) August-December, 2013 subsidy claims for DPK was N143,019,114,550.20 equivalent US\$17,443,479.99 (Interim Report);
- (e) In relation to CBN's Governor's assertions on the N180 billion (US\$1.2 billion) withheld by NNPC in 2012 as subsidy for Fourth Quarter 2011, the Executive Secretary confirmed that:
 - (i) Total certified PMS delivered for PMS in Fourth Quarter of 2011 by the NNPC was 2,057,856.39 litres corresponding to the total value of N162,774,171,010.73 equivalent US\$1,051,521,144.72;
 - (ii) The total certified DPK delivered by NNPC in fourth quarter 2011 was 504,173,658 litres corresponding to a total value of N52,786,942,442.03 equivalent US\$341,003,648.17; and
 - (iii) The total certification granted NNPC by the PPPRA for PMS and DPK was 215,561,113,453.03 equivalent to US\$1,329,524,792.90 (See Annexure SEN 5A - C).

5.5.1 FEDERAL INLAND REVENUE SERVICE (FIRS)

The Acting Chairman, Federal Inland Revenue Services (FIRS), Kabir M. Mashi made oral/written submission to the Committee on 4th February, 2014 that:

- (a) Petroleum Profit Tax (PPT) portion of the Modified Carried Agreement (MCA) is payable in kind based on the agreement in place. This informed the reason for crude lifting by NNPC (COMD) on behalf of FIRS;
- (b) Crude Oil Marketing (COMD) allocates crude on monthly basis based on the MCA at a reconciliation meeting and members of the meeting include NNPC (COMD), NNPC (NAPIMS), FIRS, DPR and International Oil Companies (IOCs);
- (c) FIRS reconciles the value advised with CBN, JP Morgan Chase Account on monthly basis, follows up on difference observed in terms of value and timing, and issue receipts to the IOCs for the PPT paid;
- (d) The volumes (BBL) and values (\$) shown below as advised by NNPC have been credited to the PPT Account with CBN amounting to the sum of US\$16,001,887,639.67

Total PSC and MCA for the Period under review

2012	Quantity (bbl)	Value (\$)
PSC	88,523,487	9,871,594,479.07
MCA	7,952,519.41	889,220,374.82
2013		
PSC	45,607,387.00	4,949,377,478.12
MCA	2,705,524.00	291,695,307.66
TOTAL	144,788,917.00	16,001,887,639.67

5.2 On the confirmation of NPDC PPT remittance to FAAC, the Acting Chairman stated on 6th March, 2014 that:

- (a) The FIRS received the sum of US\$863,000,000 being PPT payment by the Nigerian Petroleum Development Company Limited (NPDC) for the period January 2012 to July, 2013; and
- (b) The payment made by NPDC in the sum of (US\$863,000,000) are not included in the US\$16 billion PPT collection for the period under review (See Annexure SEN 6A - C).

6 NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (NEITI)

NEITI submitted report covering only 2010 – 2011. The Committee requested them to submit 2012 – 2013 Report latest 7th February, 2014.

However, during the Public Hearing on 4th February, 2014, the Executive Secretary Hajiya Zainab Ahmed informed the Committee that it is not possible to comply with the directive as Audit Report is on-going and it required a period of nine (9) months to be completed (See Annexure SEN 7 and 16).

7 FEDERAL MINISTRY OF PETROLEUM RESOURCES

The Honourable Minister of Petroleum Resources, Mrs. Deziani Alison Madueke made an oral/written presentation on 4th February, 2014 that:

- (a) When the CBN Governor's allegation on the non-remittance of US\$49.8 billion was made public in December, 2013 a reconciliation meeting was set up among the stakeholders and they issued a Joint statement (See Annexure SEN 8B);
- (b) Thereafter the relevant agencies continued with the reconciliation exercise in order to determine all the claims

arising from the US\$10.8 billion as was determined to be the supposed shortfall.

- (c) As for the Presidential directive on stoppage of granting subsidy on kerosene product by His Excellency, late President Yar'adua, (GCFR) in 2009 there was an inter-ministerial Committee meeting held with the then Minister of Finance and Petroleum Resources. In attendance was also the Group Managing Director of the NNPC, where they resolved to stay action on the execution of Presidential directive. That on two different occasions the then Group Managing Director NNPC wrote to the Minister of Finance asking for clarification on the stay action on the kerosene subsidy but there was no answer hence this subsidy remained; (Annexure SEN 3A Appendix 3);
- (d) The NPDC has Strategic Alliance Agreement (SAA) with Atlantic Energy. Also NPDC has Modified Carried Arrangement (MCA), Service Contracts as alternative funding arrangement for over 15 years, in which most of them are similar to what was been done with production Sharing Contracts (PSCs) as there is no much difference between the arrangements;

- (e) The reason why the Federal Government originally put a subsidy on Kerosene and kept it at N50 per litre was for the benefit of the Nigerian Masses, even though the landing cost is N150 per litre (See Annexure SEN 8).

8 FEDERAL MINISTRY OF JUSTICE

The Honourable Minister of Justice and Attorney General of the Federation, Mr Mohammed Bello Adoke SAN, CFR, made an oral/written presentation to the Committee on 20th February, 2014 that:

- (a) NNPC can legitimately transfer its participating interest in the Oil Mining Leases (OMLs) to its wholly owned subsidiary, Nigerian Petroleum Development Company (NPDC) by virtue of paragraph 14-16 of the first schedule to petroleum Act, CAP P. 10 LFN 2004 (NNPC Act) and regulations 1969 as amended, a holder of an Oil Mining Leases (OML) or Oil Prospecting Licence (OPL) can assign it interest provided the consent of the Minister of Petroleum Resources is obtained;
- (b) Section 6(1) (c) of the NNPC Act empowers the NNPC to establish and maintain Subsidiaries for the discharge of its functions;

- (c) The NPDC was incorporated as a limited liability upstream Subsidiary company of NNPC to carry out its upstream operations as envisaged by the law. As the relationship is governed by a Joint Operating Agreement (Shell/NNPC JOA) and Article 19.2 of the Shell/NNPC JOA empower any party to the agreement to transfer all or part of the participating interest to its affiliate at any time, upon notice to other parties and subject to any necessary Government consent;
- (d) The NNPC's transferring operatorship to NPDC of OMLs as its upstream petroleum Subsidiary Company was within NNPC's authority; and
- (e) NNPC is generally under an obligation to remit its revenue from the upstream petroleum operations into the Federation Account, this is however dependent on the definition of revenue within the meaning and intendment of section 162 (10)(c) of the Constitution of the Federal Republic of Nigeria 1999 as amended, NNPC can by virtue of Section 7(4) of the NNPC Act defray expenses incurred in the course of its business in the upstream operation (See Annexure SEN 9).

NIGERIAN PETROLEUM DEVELOPMENT COMPANY
LIMITED (NPDC)

The Managing Director, Nigerian Petroleum Development Company, Mr. Briggs Victor made an oral/written presentation to the Committee on 6th March, 2014 that:

- (a) Within the period under review NPDC received the sum of US\$726.92 million out of total US\$1.699 billion representing 42% of the total cost to finance NPDC operations;
- (b) NPDC operates ten (10) assets and participates as non-operator in five (5) assets in the conventional terrain, while it holds equity interests in Seven (7) Deep-water assets, under Production Sharing Contracts (PSC), three (3) of the assets are 100% owned and operated by NPDC and NPDC's equity share in one of the PSC assets is fully funded by NNPC. The rest are funded through various alternative funding models; and
- (c) A total sum of US\$6.82 billion was realised from 61.03 million barrel of crude oil lifted during the period under review.

NPDC Revenue from all Assets: January 2012 to July 2013.

S/N	Description	Lifted (BBLs)	Value (\$)
1	NPDC-FB, Direct	2,689,360.00	305,451,345.66
2	NPDC-FB Divested	27,293,424.00	3,071,272,852.19
3	NPDC-OK	22,977,232.00	2,551,652,554.96
	TOTAL	52,960,016.00	5,928,376,752.81
4	Service Contract AENR	1,795,880.00	188,385,411.26
	SUBTOTAL	1,795,880.00	188,385,411.26
5	SAA-ATLANTIC	3,464,846.00	387,463,865.48
6	SAA-SEPTA	2,806,959.00	310,962,596.70
	SUBTOTAL	6,271,805.00	698,426,462.18
	TOTAL SC/SAA	8,067,685.00	886,811,873.44
	TOTAL FOR ALL NPDC ASSETS	61,027,701.00	6,815,188,626

- (d) Government's estimated royalty and tax entitlement out of gross US\$618 billion revenue was US\$2.18 billion made up of US\$1.5 billion as royalty and US\$1.03 billion as taxes, and US\$1.73 billion has already been remitted to the Federation Account while the final taxes due is paid after necessary reconciliations have been made with DPR and FIRS.

(e) The gross proceeds from lifting of 33.57 million barrels of crude oil from the eight divested assets amounted to US\$3.77 billion out of which the royalty and taxes accruable to the Federation Account is US\$1.16 billion out of which US\$751.01 million has already remitted to the Federation Account (See Annexure SEN10).

10

DEPARTMENT OF PETROLEUM RESOURCES (DPR)

The Director of the Department Petroleum Resources, represented by A. O. Ohiani made oral/written submission to the Committee on 13th March, 2014 that Payments received by DPR as Oil Royalty from NPDC within the period January 2012 to July 2013 was the sum of US\$864,817,552.86.

Below is the summary of payments:

YEAR	Amount paid (\$)
2012 Jan - Dec	462,293,409.74
2013 Jan to Aug	402,524,143.12
Total Payments	864,817,552.86

(See Annexure SEN 11)

ACCOUNTANT GENERAL OF THE FEDERATION

The Accountant-General of the Federation, represented by S. A. Zubairu made oral/written submission to the Committee on 13th March, 2014 that:

- (a) The Office of the Accountant-General of the Federation confirmed the credit into the Federation Account in respect of the NNPC third Party Financing obligation totalling US\$2.4 billion as follows:

(i)	USAN Field TMP Lifting	US\$211,421,677.33
(ii)	Reserve Development Projects	US\$300,000,000.00
(iii)	Satellite Field Development Payment (SFDP)	US\$858,750,973.03

- b) AGF also confirmed that the sum of US\$300,000,000 was credited into Federation Account in December, 2013, out of the sum US\$518,069,354 being amount that matured from Reserve Development Project as at July, 2013 (See Annexure SEN 12A & B).

AUDITOR-GENERAL FOR THE FEDERATION

The Auditor-General for the Federation, Mr. Ukura T. Samuel made an oral/written presentation on 6th March, 2014 that:

1. Section 85(3) of the Constitution of the Federal Republic of Nigeria 1999 as amended) forbids the Auditor-General from carrying out direct auditing of Agencies and Parastatals;
2. Section 84(4) provides that periodic checks shall be made to Agencies;
3. Twenty (20) Officers have been trained in Oil and Gas accounting and auditing and have just commenced the forensic periodic check of NNPC to look into their books and records;
4. That the Officers assigned to carry out this exercise are well qualified and will among others audit the subsidy claims/deductions in respect of PMS and DPK; other expenses incurred by NNPC and paid for from Oil revenues that should have gone to Federation Account, and correctness of revenues paid into the Federation Account by NPDC, a subsidy of NNPC ;(Annexure SEN 13);
5. The Auditor-General for the Federation with approval of the President, Commander-in-chief of the Federation appointed Pricewaterhouse Coopers Limited (PWC) to conduct a forensic audit of NNPC on the alleged unremitted oil revenue

covering the period January, 2012 to December 2013.
(Annexure SEN 23); and

6. That AGF will forward copy of his report to the Senate.

5.13 TOTAL E & P NIGERIA LIMITED

The representative of Total Nigeria Limited, Mr. Chidi Momah made oral/written submission to the Committee on 13th March, 2014 that:

- (a) NNPC and Total Nigeria Limited (TEPNG) are parties to Production Sharing Contract (PSC) dated 23rd April 1993 in respect of prospecting licence 222, out of which was issued Oil Mining Lease 138 in 2007;
- (b) Royalty Oil for the entire production is allocated to NNPC. The applicable royalty rate for USAN was 8% as the field lies within the 501 – 800 metres water depth range;
- (c) NNPC lifted 10 cargoes of crude oil, totalling 9,951,474 barrels during the TMP period and remitted US\$1,053,519,002 to the TMP Escrow Account; and
- (d) NNPC's entitlement to Royalty Oil and its share of profit oil was 1,967,871 barrels amounting to US\$211,421,677 only.
(See Annexure SEN 14).

5.14 MOBIL PRODUCING NIGERIA LIMITED

The representative of Mobil Producing Nigeria Limited, Mr. O. O. Banwo made oral/written submission to the Committee on 13th March, 2014 that:

- (a) NNPC and MPN lifting revenues from Third Party Financing are deposited in secured off shore accounts and used for period debt services after which the balance is transferred to the Joint Venture Partners' (NNPC and MPN) designated accounts once condition precedents for distributions are met;
- (b) Total revenues from the projects during the period January, 2012 to July, 2013 are as follows:
 - (i) Reserve Development Project (RDP) US\$830,189,200.63 (NNPC US\$518,069,354.32 MPN US\$312,119,846.31; and
 - (ii) Satellite Field Development Project US\$1,395,318,708.12 (NNPC US\$858,750,973.04 and MPN- US\$536,567,735.09 (See Annexure SEN 15).

5.15 REPORT OF CONSULTANTS ON REVIEW OF DOCUMENTS AMOUNTING TO US\$2.13 BILLION OTHER EXPENSES PRESENTED BY NNPC

Introduction

Reference to the Committee's letter dated 6th March, 2014 appointing Consultants, Messrs Sada, Idris & Co and Ayorinde Osomo to review the documents amounting to US\$2.13 billion presented by NNPC in respect of the on-going investigation of the Alleged Unremitted US\$49.8 billion Oil Revenue their professional opinion on the authenticity of the expenses are hereby presented.

METHODOLOGY

In the course of carrying out the assignment, the Consultants adopted the following methodology:

- (a) Checking the arithmetical accuracy of the figures contained in the given schedules and reports;
- (b) Reviewing documents given to establish that necessary documents, approvals and procurement procedures were followed in support of expenditures claimed to have been incurred;
- (c) Cross-checking documents given with other corroborating evidences, where available; and
- (d) Clarifications from NNPC/PPMC officials on procedures and requesting explanations on uses observed.

LIMITATIONS

- (a) Review of crude oil losses was limited to crude transferred to Warri, Kaduna and Port Harcourt refineries. Possible losses

- on crude export and other crude transfers were not considered;
- (b) The Consultants relied on applicable government procurement and disbursement procedures in reviewing documents given;
 - (c) Claimed disbursements reflected in the NNPC's schedule are exclusive of statutory third party deductions. Actual disbursements have been understated by the following amounts deducted from payments to contractors and suppliers of goods and services:
 - i. Withholding Tax
 - ii. Valued Added Tax
 - iii. Cabotage Charge
 - (d) Their review was limited to disbursements on certain expenditure heads by NNPC/PPMC forwarded to the Senate Committee on Finance. This does not represent total expenditures incurred by NNPC and its subsidiaries/associates on operational activities;
 - (e) There were neither ledger extracts nor any transaction history to ascertain the completeness of each of the expense headings as stated; and
 - (f) The General Ledger containing detailed information on the respective expense heads were not made available to the Consultants to ascertain completeness of expense heads reviewed.

SUMMARY OF KEY FINDINGS

Holding Cost Strategic Reserve (US\$0.46 Billion)

- a. Documentations reviewed support Demurrage of US\$207,892,239 which were settled through crude swap subject to the reconciled sum of US\$24,821,000 and observed disparities in daily demurrage rates charged by the vessels.
- b. Average number of days taken to discharge a vessel load of 33,00mt of product was 33½ days as against expected 1½ days resulting into US\$207.89 million demurrage.
- c. The concept of using vessels loaded with products at high sea as products' Strategic Reserve as against the development of sufficient product Tank Farms for Strategic Reserve needs to be reviewed.
- d. Improved product delivery scheduling and development of tank farms should have substantially reduced demurrage charges incurred.
- e. They also observed disparities in daily demurrage charge by the discharging vessels. This calls for a comprehensive review and harmonization of daily demurrage rates in line with best practices.
- f. Documents to support a total sum of US\$241.1 million paid to NPA and included in the NPA charges were not available for review.

2. Crude Oil Losses (US\$0.76 Billion)

- a. Recomputed crude and refined oil losses for the period January 2012 to July 2013 was US\$0.809 billion, an increase of US\$0.05 billion from NNPC's figure.
- b. Records of PMS/AGO transferred between depots revealed illogical results that requires further independent reconciliation.
- c. Inter-depot product transfers are not subjected to independent verification other than NNPC/PPMC's officials would ensure integrity and accuracy of records maintained.
- d. Pipeline surveillance cost increased from US\$2.23 million in 2012 to US\$11.15 million in 2013 without corresponding decrease in pipeline oil losses.

3. Pipeline Maintenance and Management Cost (US\$0.91 Billion)

- (a) Actual PPMC's staff salaries and upfront benefits claimed in NNPC's submissions were overstated by US\$7.58 million and US\$29.35 million for the years 2012 and 2013 respectively.
- (b) Marine/throughput payments was overstated by US\$9.21 million through duplication of payments claimed in NNPC's submission.
- (c) Marine/throughput payments was understated by US\$4.66 million as a result of omission.
- (d) The Consultants were not provided with documents to authenticate the sum of US\$8.53 million out of the US\$12.96

million claimed to have been expended on pipeline surveillance in 2012 and 2013.

- (e) The sum of US\$2.84 million out of US\$12.20 million claimed as NPA charges could not be authenticated documentarily.
- (f) NPA charges was understated by US\$10.31 million through omission.
- (g) Environmental Remediation Payments was overstated by US\$1.29 million as the sum claimed as environmental remediation was a payment to ITF fir backing of contributions.
- (h) The Consultants were unable to authenticate of the sum of US\$1.92 million out of the US\$7.99 million claimed as charter hire expenses due to insufficiency of documents provided.
- (i) NNPC's submission on Crude Transport Payments was overstated by US\$4.54 million through duplication of entries.
- (j) Apart from the US\$74,715 duplicated sum in the NNPC's submission, documents provided for review supports the expenditure claimed. (See Annexure SEN 20).

16 APPOINTMENT OF FORENSIC AUDITORS BY AUDITOR-GENERAL OF THE FEDERATION

The Joint team consisting of Pricewaterhouse Coopers Limited (PWC) staff and officials of AGF's Office conducting a forensic audit on the alleged unremitted funds into the Federation Account by NNPC has the following terms of reference:

- (a) Analyse and comment on all submissions made by various parties in respect of remittances shortfalls from NNPC into the Federation Accounts. These were quantified by the Central Bank of Nigeria (CBN) as \$49billion, \$20billion and by the Ministry of Finance (MOF) as \$12billion.
- (b) Analyse all submissions by the key stakeholders in relation to these unaccounted funds. These include submissions made by NNPC, Ministry of Petroleum, Office of the Accountant-General of the Federation (OAGF) and any other relevant parties/stakeholders. This task shall include:
 - (i) Working with the National Assembly on this matter to identify all the various submissions made by different parties, at different times to different recipients;
 - (ii) Analysing all video recording of the Senate hearings that relate to this matter. This shall enable the identification of any other stakeholders that may not have made physical submissions but have made oral comments. It will also provide more insight into prospective interviewees and the documents being reviewed in steps a & b;

- (iii) Analysing all documents relevant to the various submissions that were made by all the parties (whether provided as part of the submissions or otherwise). These shall include but are not limited to records maintained by NNPC, its subsidiaries and other relevant organisations (for example CBN, PPPRA, FAAC, OAGF, MOF, FIRS) such as Crude Oil lifting records, bank statements, letters of credit etc;
- (iv) Analysing the product and funds flows involved in the sale of Crude Oil by the Federal Government of Nigeria (FGN) to the NNPC – whether processed locally, sold as exports, exchanged for finished products refined offshore. This shall be carried out with a view to assessing discrepancies (if any) between the revenues due to the FGN for the sale of Crude Oil to NNPC, and actual payments made by NNPC and identifying underlining reasons for any discrepancy noted.
- (v) To the extent possible, take steps to independently verify the quality of the information provided.

Conduct interviews with relevant stakeholders. The list of people to be interviewed will only be finalised after the

reviews of relevant data obtained from steps a and b above;
and

- (d) Produce an independent forensic investigation report detailing all findings and any recommendations.

The forensic investigative team is also expected to examine the following:

- (a) Crude Oil and Gas production records which should cover the following:
 - (i) Records of monthly Crude Oil and Gas production in barrels/metric tonnes.
 - (ii) Schedule of Domestic allocation of Crude Oil to NNPC in barrels and value in US\$ and Naira.
 - (iii) Crude Oil allocated to Refineries in barrels.
 - (iv) Crude Oil processed by the Refineries and the unutilized balance.
 - (v) Sale of balance of domestic allocation of Crude Oil allocated to NNPC
 - (vi) Monthly production returns from Refineries on product basis (AGO, PMS, DPK etc).

- (b) Crude Oil and Gas sales records which should cover the following:
- (i) Monthly sales of Crude Oil and Gas (export and domestic sales) in barrels and metric tonnes.
 - (ii) Sales of Crude Oil and Gas dedicated to specific projects – CBN and NNPC projects.
 - (iii) Average selling price of Crude Oil and Gas on monthly basis.
 - (iv) Schedule of buyers of Crude Oil and Gas showing detail of purchases (in both volume and value), the total payment made for the year's purchases and the outstanding balance standing against each of them.
 - (v) Contract agreements with Crude Oil and Gas buyers.
 - (vi) Schedule of Crude Oil and Gas debtors with the age analysis of the debts.
 - (vii) Schedule of demurrage incurred by Crude Oil and Gas buyers on overdue debts and details of subsequent settlements.
 - (viii) Summary of monthly reconciliations and billing of crude Oil and Gas sales and receipts.

- (c) Importation and sales of refined petroleum products should cover the following:
 - (i) Records of importation of petroleum products by NNPC giving details of each product (e.g. PMS, AGO, DPK, HHK, etc).
 - (ii) Details of sales of imported petroleum product on monthly basis.
 - (iii) Schedule of subsidies deducted from sales of Crude Oil and Gas for imported petroleum products.
- (d) Payments of Crude Oil and Gas revenue to Federation Account should include records of revenue collected from sale of Crude Oil and Gas and transfer into the Federation Account in respect of the following:
 - (i) From foreign sales of Crude Oil and Gas (US\$).
 - (ii) Domestic sales of Crude Oil and Gas in Naira.
 - (iii) Excess Crude Oil and Gas proceeds (Foreign and Domestic).
 - (iv) Mandates sent to CBN by NNPC to transfer Crude Oil and Gas revenue to the Federation Account and to

Excess Crude Account on monthly basis. . (See Annexure SEN 23).

OBSERVATIONS

The Committee observes as follows:

1. There is lack of proper and adequate co-ordination between key agencies of Government such as MOF,MPR, CBN, NNPC, DPR, FIRS etc. Ordinarily, reconciliations on regular basis between sensitive institutions controlling our economy should be an on-going and common practice;
2. The problem of non-remittance of revenues by NNPC was not new and it was not the Central Bank of Nigeria (CBN) Governor that first disclosed it. It has been a recurring issue at monthly Federation Account Allocation Committee (FAAC) meetings sometimes leading to States Commissioners of Finance walking out of meetings;
3. The Committee could not see how the figure of US\$49.8billion was arrived at by the CBN Governor in the first instance.
4. That the CBN Governor at the first hearing had put forward the figure of US\$12 billion as monies to be reconciled and changed his position to US\$20 billion at subsequent hearing.

At the conclusion of his written submission he posited that it could be US\$20 billion, US\$12 billion, \$10.8 billion or anything in between;

5. That the CBN Governor orally or in writing never outrightly submitted that monies were missing but that monies were not remitted to Federation Account by the NNPC;
6. That the CBN Governor only posited that part of US\$6 billion representing value of liftings by NNPC on behalf of NPDC should belong to the Federation Account and that he was not in a position to say how much was the amount. Therefore, the assumption that the entire sum of US\$6 billion was to be accounted for is incorrect and misleading. The actual value of the liftings was however found to be US\$6,815,188,626=25 (See Annexure SEN 10).
7. That CBN Governor only sought for evidence relating to US\$2 billion representing value of liftings under Third Party Financing. The actual value of the liftings was however found to be US\$2,430,750,973 (See Annexure SEN 3D).
3. That there was poor record keeping and non-challant work attitude by the NNPC by not rendering returns on subsidy

claims on monthly basis from January 2012 to-date which contributed largely to creation of the problem in hand.

9. That there was no evidence to suggest that the submission of claims by NNPC to PPPRA were done prior to payments being made.
10. That the Ministry of Finance and Ministry of Petroleum Resources differ on position of subsidy on kerosene.
11. That the Coordinating Minister for the Economy/Minister of Finance testified that she had not authorised any payment/expenditure of subsidy on kerosene and that there was no budgetary provision, while the Minister of Petroleum Resources agreed that there was no budgetary provision for subsidy on DPK but noted that the Ministry continues to make payment for kerosene subsidy in the overall interest of the masses.
12. That NNPC still controls the revenue account of NPDC which undermines its status as a separate legal entity and makes proper accountability difficult.
13. At the second public hearing of the Committee on 4th February, 2014, the FIRS admitted receiving total sum of US\$16,001,887,639.67 against the sum of US\$15 billion

indicated in the CBN Governor's submission. CBN Governor accepted the submission of the FIRS when asked for comment (See Annexure SEN 5A, 16, 21, 22).

4. That the sums of N888.101 billion and N971.138 billion were appropriated to meet requirements for fuel subsidy in the years 2012 and 2013 respectively contrary to the CBN Governor's claims that such was not the case purely based on the non-filing of subsidy claims by NNPC on monthly basis. This can be seen in the submission of the Ministry of Finance confirming same and revenue profiles for 2012 and 2013 respectively approved by National Assembly (See Annexure SEN 4, 17).

i. That the Petroleum Products Pricing Regulatory Agency (PPPRA) has certified subsidy claims by NNPC as follows:

1) For PMS, Jan 2012 – Dec 2012 =US\$3,343,141,081.56

equivalent to N517,752,259,303.78

For DPK, Jan 2012 – Dec 2012 = US\$2,281,721,090.24
equivalent to N353,370,145,245.07

For PMS, Jan 2013 – July 2013 =US\$1,911,605,951.56
equivalent to N296,050,413,718.09

For DPK, Jan 2013 – July 2013= US\$1,230,194,700.59

equivalent to N190,520,253,280.69

(e) For PMS, Aug 2013 – Dec 2013= US\$636,914,882.88
equivalent to N593,635,120.87 (Interim)

(f) For DPK, Aug 2013 – Dec 2013 = US\$917,443,479.99
equivalent to N142,019,114,550.26 (Interim).

16. That the PPPRA has certified subsidy claims by other
Marketers as follows:

(a) For PMS, Jan 2012 – Dec 2012= N461,040,708,363.46
equivalent to US\$2,978,322,976.02

(b) For PMS, Jan 2013 – Dec 2013= N467,620,656,674.24
equivalent to US\$3,020,829,442.11

17. That PPPRA certification of subsidy payment for NNPC/other
marketers is subject to the Forensic Audit conducted by PWC
and Office of the AGF.

18. That the PPPRA certified the subsidy payments/deductions
in respect of DPK inspite of the fact no appropriation were
made for such in 2012 and 2013 Appropriation Acts(See
Annexure SEN 5A,17).

19. That Mr. President, Dr. Goodluck Ebele Jonathan (GCFR) in
his media chart on 24th February, 2013 aired on NTA and

other television stations defended the deductions for kerosene (DPK) subsidy (See Annexure SEN 18).

20. That Section 80(2), (3) and (4) of the Constitution of the Federal Republic of Nigeria 1999 (as amended) stipulates as follows:

- (a) 80(2) *"No money shall be withdrawn from the Consolidated Revenue Fund of the Federation except to meet expenditure that is charged upon the Fund by this Constitution or where the issue of those money has been authorised by an Appropriation Act or an Act passed in pursuant of Section 81 of this Constitution.*
- (b) 80(3) *"No money shall be withdrawn from any Public Fund of the Federation other than the Consolidated Revenue Fund of the Federation unless the issue of those moneys has been authorised by an Act of the National Assembly".*
- (c) 80(4) *No money shall be withdrawn from the Consolidated Revenue Fund or any other Public Fund of the Federation, except in the manner prescribed by the National Assembly".*

21. That in 2007, the late President, Umaru Musa Yar'adua (GCFR) having exceeded amount appropriated for petroleum support fund (subsidy) sought for and got approval of the

National Assembly for additional sum of ₦25,000,000,000 (See Annexure SEN 19).

Further observes that President Dr. Goodluck Ebele Jonathan (GCFR) in 212 having exceeded the amount appropriated for fuel subsidy sought for approval of additional sum of ₦161.617 billion which was not considered by the Senate thus not approved (See Annexure SEN 4, 19B)

That NNPC submitted other details and expenses as follows:

- (a) Expenses in respect of holding strategic stock US\$0.46 billion;
- (b) Crude oil losses US\$0.76 billion; and
- (c) Expenses in respect of maintenance of installations and pipelines US\$0.91 billion.

All supporting documents in relations to NNPC other expenses presented to the Committee were handed over to Consultants appointed by it with approval of the Senate President for verification, auditing and certification.

It was observed that demurrage charges were not paid in cash but through crude exchange for products (product

swap). Balance due to/from the Companies are carried forward and offset against crude loadings.

25. Average number of days taken to discharge a vessel load of 33½ days as against expected 1½ days resulting into US\$207.8 million demurrage.
26. It was also observed that some documents represented by NNPC/PPMC to the Consultant for authentication were overstated, understated or duplicated.

FINDINGS

After a careful study of all submissions, the Committee's findings are as follows:

1. That all parties, i.e. CBN, NNPC, Ministry of Finance and Ministry of Petroleum Resources had resolved through reconciliation undertaken by them that US\$47 billion had been received into the Federation Account out of the total oil lifting valued at US\$67 billion between January 2012 and July 2013 (See Annexure SEN 4);
2. That on the remaining US\$20 billion to be reconciled, the Committee's findings are as follows:

- (a) The amount deducted/withheld/expended by NNPC on fuel subsidy between January 2012 to July, 2013 was US\$5.254 billion (N813.802 billion). This was certified by PPPRA and the National Assembly has appropriated funds in 2012 and 2013 for fuel subsidy in the sums of N888.101 billion (US\$5.737billion) and N971.138 billion (US\$6.274billion) respectively (See Annexure SEN 5A and 17);
- (b) The amount expended on subsidy on kerosene (DPK) between January to July, 2013 was US\$3.512 billion (N543.890 billion). This was certified by PPPRA. This was not appropriated for by the National Assembly in both 2012 and 2013 Appropriation Acts (see Annexure SEN 5A, 17);
- (c) The subsidy deduction in the sum of N180 billion (US\$1.2 billion) by NNPC in 2012 but relating to fourth quarter 2011 was certified by PPPRA. The CBN position was that this deduction needed PPPRA certification (See Annexure SEN 2A and 5C).
- (d) There was also appropriation for fuel subsidy in 2011 in the sum of N245.96 billion (See Annexure SEN 17).

- (e) PPPRA verification alluded to on the NNPC subsidy claims are in practice book keeping verification rather than physical verification of products and claims.
- (f) On the Third Party Financing liftings by NNPC which CBN put at US\$2 billion and called for more explanations, the Committee's findings are as follows:
 - (i) that the actual value of Third Party Financing lifting was US\$2,430,750,973 (See Annexure SEN 3D);
 - (ii) that the amount confirmed by the Accountant-General of the Federation as having being remitted into the Federation Account between January, 2012 and July, 2013 was US\$1,370,172,650.36 (See Annexure SEN 12);
 - (iii) that the share belonging to Mobil Producing Nigeria Limited in Third Party Financing arrangement with NNPC confirmed by them orally and in writing was US\$848,687,581 (See Annexure SEN 14 and 16); and
 - (iv) that the amount confirmed by the Accountant-General of the Federation as having being remitted into the Federation Account in December, 2013 which is outside the period January, 2012 – July, 2013 was

US\$300,000,000. Therefore, the sum of US\$218,069,354 remains outstanding or unremitted by NNPC which it explained was in escrow account and will be remitted when it matures. (See Annexure SEN 12).

(g). On the US\$6 billion liftings by NNPC on behalf of NPDC which CBN observed that part of the Revenue belongs to the Federation Account, the Committee's findings are as follows:

- (i) NPDC strategic alliances are within the laws of the Federation as submitted by the Attorney-General for the Federation and Minister of Justice. (See Annexure SEN 10);
- (ii) Total liftings during the period in question was US\$6,815,188,626 (See Annexure SEN 10);
- (iii) Share of revenue to go to the Federation Account was US\$2,175,635,436 (See Annexure SEN 10);
- (iv) Amount of Petroleum Profit Tax (PPT) confirmed received by Federal Inland Revenue Service (FIRS) from the NPDC and remitted to the Federation Account was US\$863,000,000 (See Annexure SEN 6B);

- (v) Amount of Royalty confirmed received by Department of Petroleum Resources (DPR) from NPDC and remitted to the Federation Account was US\$864,817,552 (See Annexure SEN 11); and
 - (vi) Royalties and Taxes not remitted to the Federation Account by NPDC within the period under consideration was US\$447,817,884 (See Annexure SEN 10).
- (h) On other expenses and crude losses which the Committee appointed Independent Professional Accountants to audit, the Committee findings are as follows:
- (i) Crude and refined oil losses were certified by Committee Consultants as US\$0.809 billion against the US\$0.760 billion reported by NNPC (Annexure SEN 20);
 - (ii) Pipeline surveillance cost increased from US\$2.23 million in 2012 to US\$11.15 million in 2013 without corresponding decrease in pipeline oil losses.
 - (iii) Actual PPMC's Staff Salaries and upfront benefit claimed in NNPC submission were overstated by US\$7.58 million and US\$29.35 million for the year 2012 and 2013 respectively. (Annexure SEN 20).

Amount expended above budgeted or not budgeted for at all in respect of PMS and DPK in 2012 and 2013 are as shown below:

PMS 2012

√	Budgeted	Expenditure	Over Expenditure
	N888.101 billion (US\$5.737 billion)	N978.795 billion (US\$6.323billion)	-N90.693 billion (US\$585million)

Supplementary budget for PMS in the sum of N161.617 billion was presented to National Assembly by the President Dr. Goodluck Ebele Jonathan (GCFR), in the month of December, 2012 but was not even considered by the National Assembly, thus not approved. (Annexure SEN 9B).

) PMS 2013

Budgeted	Expenditure	(Over expenditure expected since certification of Aug-Dec 2013 was only an interim one).
N971.138 billion (US\$6.274 billion)	N862.264 billion (US\$5.570 billion)	

certifications of subsidy for the period August to December 2013 by PPRA was only an interim one. It therefore means that the amount spent without appropriation may well exceed the above figures.

KEROSENE (DPK)

2012 Budgeted)	2012 Expenditure
Nil	N353,370,145,245.07 (US\$2.282 billion)
2013 Budgeted)	2013 Expenditure
Nil	N332,539,367,830.95 (US\$ 2.148 billion)

Total kerosene (DPK) subsidy paid but not appropriated for by National Assembly in 2012 and 2013 was the sum **N685,13,076.02 (US\$4.430 billion)**. The amount may exceed this use certification by PPPRA for the period August – December 2013 as an interim one.

Mr. President having publicly defended payment of Kerosene (DPK) subsidy clearly shows that the said Presidential directive by late President Umaru Musa Yar'adua (GCFR) had been set aside by the current President. Therefore it is not a unilateral action of any individual. However, it remains unconstitutional since it was not appropriated for by the National Assembly.

It was established that Auditor-General for the Federation has commenced the forensic periodic check\audit of NNPC including subsidy claims and other expenses (Annexure SEN 13).

In respect of the Motion moved by Senator Babajide C. Omoworare (Osun East) that N700 Million was expended illegally on Kerosene Subsidy daily. The Committee's findings based on PPPRA certification are as follows:

- (a) In year 2012 amount expended was N353.370 billion which gives N965.49 million daily; and
- (b) In year 2013 (interim) amount expended was N332.539 billion which gives N908.578 million daily.

SENATE IS HEREBY INVITED TO NOTE THAT:

1. The total crude oil liftings January 2012 to July 2013 was US\$67billion and not US\$65billion as the CBN Governor had presented;
2. There was never any unremitted US\$49.8billion;
3. All the agencies CBN, NNPC, Ministry of Finance, and Ministry of Petroleum Resources had agreed after reconciliation meeting that US\$47billion out of the US\$67billion had been credited to the Federation Account, amount to be accounted for, therefore was US\$20billion;
4. The sum of US\$5.254billion PMS subsidy certified by PPPRA, part of the US\$20billion to be accounted for was adequately covered by the Appropriation Acts 2012 and 2013;

5. The sum of US\$3.512billion DPK subsidy certified by PPPRA for the period January 2012 – July 2013 being part of the US\$20billion to be accounted for was not appropriated by the National Assembly;
6. The total sum certified by PPPRA for kerosene (DPK) subsidy not appropriated for by National Assembly was N353.370billion (US\$2.282billion) for the year 2012 and N332.539billion (US\$2.148billion) for 2013 respectively making total for the two years N685.91billion (US\$4.430billion);
7. CBN Governor posited that part of the US\$6billion out of the US\$20billion to be accounted for; representing liftings by NNPC on behalf of NPDC should belong to the Federation Account. The amount determined as share of the Federation Account was US\$2,175,635,436;
8. CBN Governor only demanded for PPPRA certification of N180billion (US\$1.2billion) being fourth quarter 2011 subsidy withheld by NNPC. This was part of the US\$20billion to be accounted for;
9. The National Assembly had appropriated the sums of N888.101billion and N971.138billion in 2012 and 2013 for petroleum subsidy;

10. CBN Governor only asked for details and evidences supporting the US\$2billion Third Party Financing liftings. This is also part of the US\$20billion to be accounted for;
11. The Honourable Minister for Finance and Coordinating Minister for the Economy recommended further forensic audit of the subsidy deductions by NNPC and the certification by PPPRA;
2. The Auditor – General for the Federation in conjunction with PWC are currently conducting forensic checks on NNPC accounts especially in relation to the issues under consideration and their report will be forwarded to the Senate Committee;
13. This Committee report only covers accounting for US\$67billion crude oil revenue between January 2012 - July 2013;
14. The Committee together with Appropriations Committee will continue its investigation on causes of shortfall in revenues which covers issues such as SWAP, Strategic Alliance etc. as relates to the petroleum industry as par Senate Resolution S/RES/007/03/13.

15. The Committee extended coverage of expenditure in respect of subsidy to December 2013 in order to properly establish if amount spent was above what was appropriated;
16. The sum of US\$218,069,354 remains unremitted being Federation Account share from the Third Party Financing arrangement;
17. Royalties and taxes amounting to US\$447,817,884 being outstanding Federation Account share from the US \$6.815billion liftings by NNPC on behalf of NPDC remains unremitted;

RECOMMENDATIONS

1. Inter-agencies reconciliation meetings between sensitive economic institutions such as Ministry of Finance, Nigerian National Petroleum Corporation, Central Bank of Nigeria and Federal Inland Revenue Service should be done on regular basis in order to avoid similar episode but most importantly ensure that all revenues are properly and legally accounted for;
2. That the Senate to accept the subsidy deducted by NNPC from January 2012 – July 2013 **of US\$5.254 billion (N813,803 billion)** since it was certified by PPPRA and Appropriated by National Assembly. This is without prejudice

the sum of US\$1.2 billion (N100 billion) for 2011 since it was certified by PPPRA and Appropriated by National Assembly. This is without prejudice to the outcome of Forensic audit conducted by Office of the Auditor-General for the Federation and PWC;

4. The President, Dr. Goodluck Ebele Jonathan, (GCFR) should prepare and present to the National Assembly supplementary budget to cover the over expenditure in the sum of **N90.693 billion (US\$585 million)** for PMS subsidy 2012 and the sum of **N685.910 billion (US\$4.430 billion)** for kerosene (DPK) subsidy expended without appropriation by the National Assembly in 2012 and 2013. The Senate should however note that the proportionate expenditure January 2012 to July 2013 was **N813.802 billion (US\$5.254 billion)** for PMS, while DPK was **N486.57 billion (US\$3.512 billion)**. It is for the National Assembly to approve or not approve such request or take any other measures it deems necessary. Also this is without prejudice to the outcome of

the Forensic Audit conducted by Office of the Auditor General for the Federation and PWC;

5. Gross liftings of NNPC on behalf of NPDC between January, 2012 – July, 2013 was US\$6.815 billion. Government share of revenue to the Federation Account was US\$2,175,635,436. Accountant-General of the Federation confirmed the payment to the Federation Account by NPDC as the sum of US\$1,727,817,552. ***Therefore, NPDC should remit to the Federation Account the sum of US\$447,817,884 being balance of Royalty and Petroleum Profit Tax (PPT);***
6. Whereas it may be a good policy to encourage indigenous players by giving them greater participation, however continuing transfer of Federation OMLs to NPDC who in turn transfer same to Third Parties with lots of tax and other revenue concessions will deprive the Federation of vital income. Therefore all such transactions should be conducted in a transparent and competitive manner and devoid of revenue concessions;
7. Gross lifting under the Third Party Financing was US\$2,430,750,973 out of which share for Federation Account

was as US\$1,588,242,004. The AGF confirmed and gave documentary evidence showing the sum of US\$1,370,172,650.36 was remitted to the Federation Account. **Therefore, NNPC should remit the balance of US\$218,069,354.32 to the Federation Account;**

8. Accept the reported crude and refine product losses certified by our Consultants in the sum **US\$0.809 billion;**
9. Accept expenses to the tune of **US\$1.059 billion** by NNPC because documents to support same have been submitted, checked and authenticated by the Committee's Forensic Consultants;
10. NNPC to refund and remit to the Federation Account the sum of **US\$262 million** being expenses it could not satisfactorily defend in respect of Holding Strategic Stock Reserve; Pipeline Maintenance and Management Cost; and Capital Expenditure;
11. There is the need for the subsidy regime to be totally discontinued with. All stakeholders should be consulted and carried along as much as possible before abolishing the subsidy;

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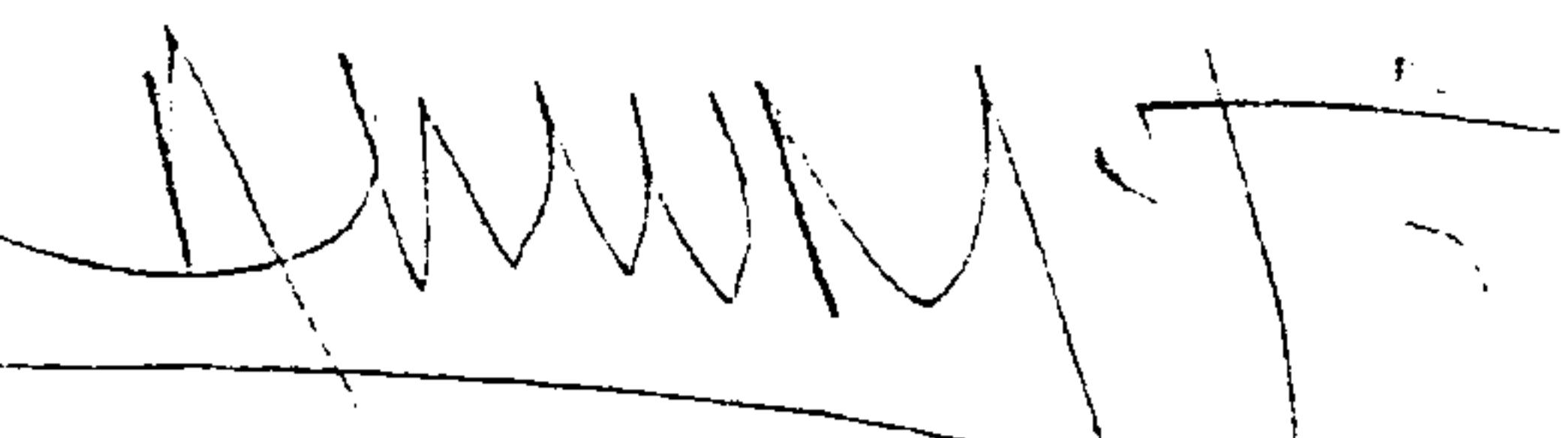
12. We have noticed that no proposal is made in 2014 Appropriation Bill for subsidy on kerosene (DPK) and that for PMS also looks inadequate. Therefore only what is appropriated should be spent by the Executive;
13. Further legislative action by the Senate should be taken after receipt of the forensic check/audit currently being undertaken at NNPC by the Auditor-General for the Federation and PWC;
14. NNPC should not pay their operational expenditures direct from Federation fund without Appropriation by the National Assembly;
15. That NNPC should strictly adhere to international best practices in keeping records;
16. NNPC should not control the revenue account of NPDC in order not to undermine its separate legal status and make accountability more difficult;
17. That PPPRA should henceforth not certify subsidy payments/deductions when there is no Appropriation for such;

18. NNPC should always ensure due process and diligence in their operations;
19. National Assembly should expeditiously pass the Petroleum Industry Bill (PIB);
20. National Assembly should always treat requests from the Executive to logical conclusion either to approve or not to approve;
21. The Senate mandates the Committee to follow up to ensure all sums recommended for remittance to the Federation Account are remitted and report back to the Senate; and
22. The Senate also mandates the Committee to follow up and receive the forensic audit/checks reports from the Auditor-General for the Federation and PWC study same and report back to the Senate.

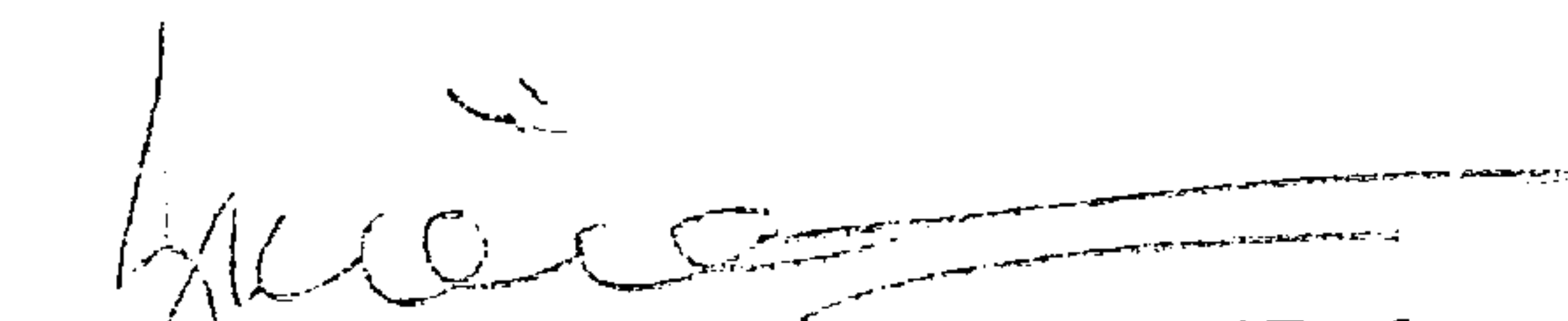
10. CONCLUSION

The Committee wishes to sincerely express its appreciation to the Senate President, leadership, and the entire Senate for the opportunity to carry out this assignment. It is our sincere hope that the Committee's recommendation will be accepted by the Senate of the Federal Republic of Nigeria.

Thank you.



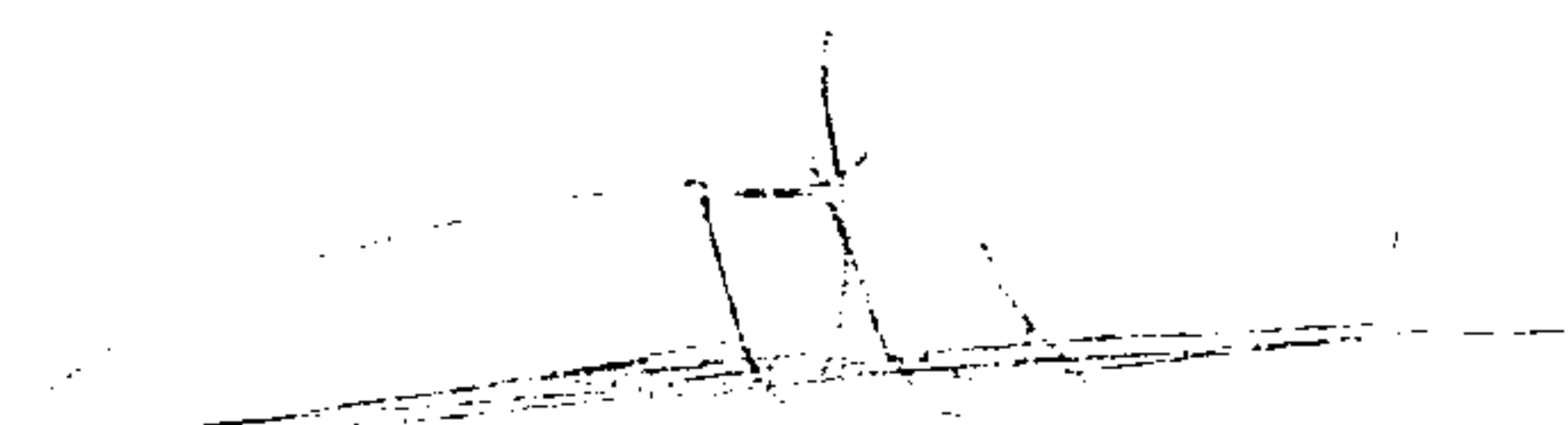
Senator Ahmed M. Makarfi CON
Chairman



Senator Joshua C. Dariye JP, fca
Vice Chairman



Senator Maina Ma'aji Lawan CON
Member



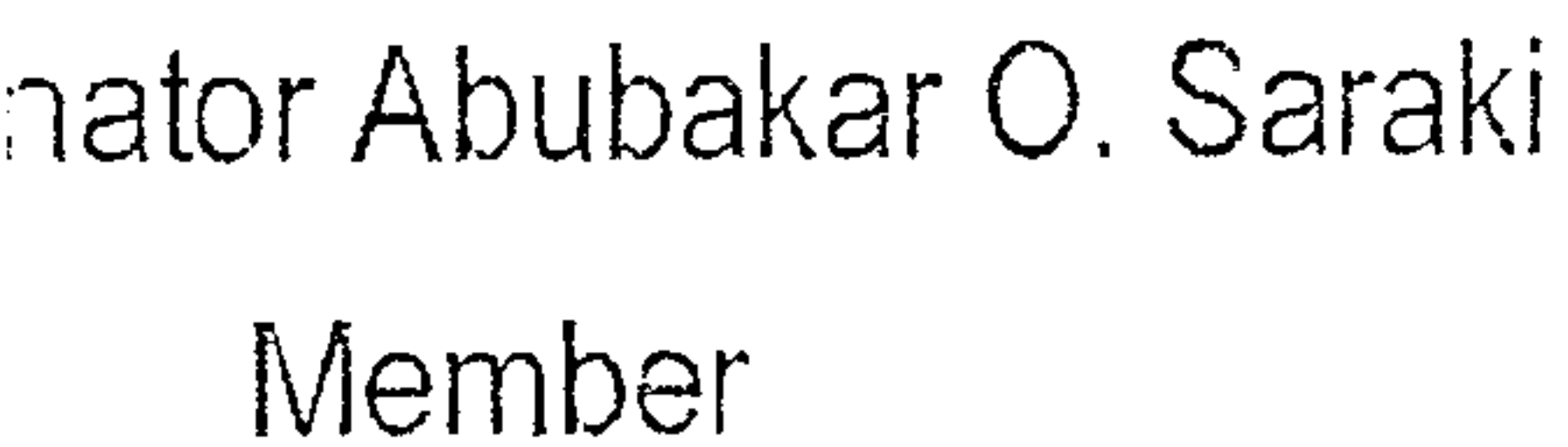
Senator Aloysius A. Etok
Member



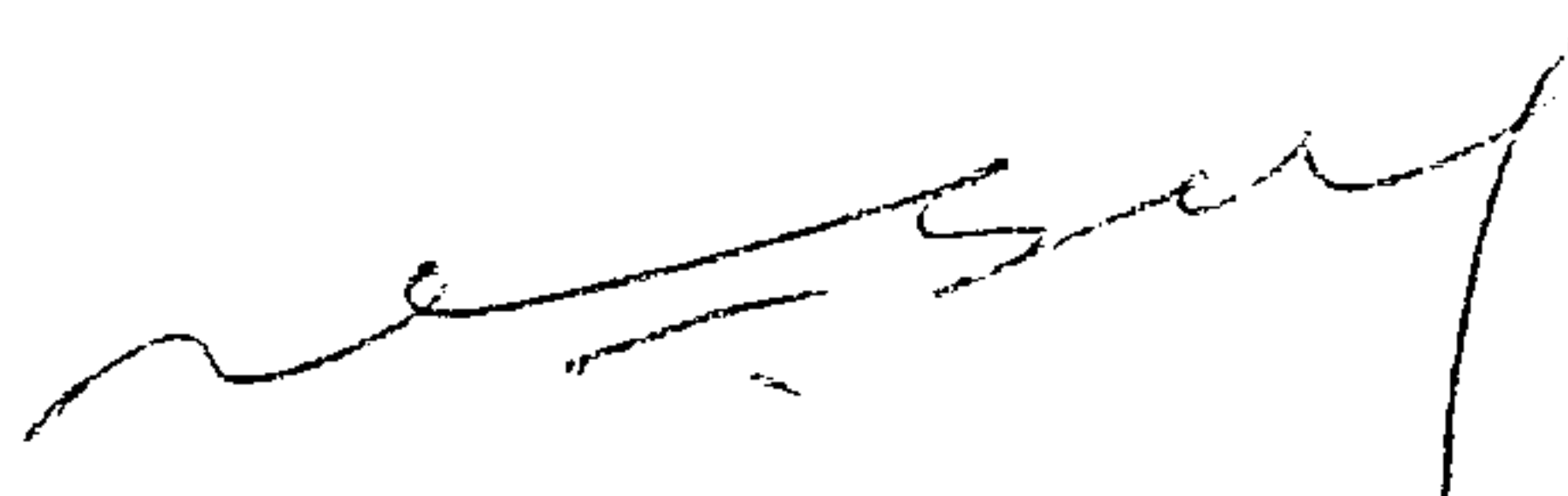
Senator Adamu I. Gumba
Member



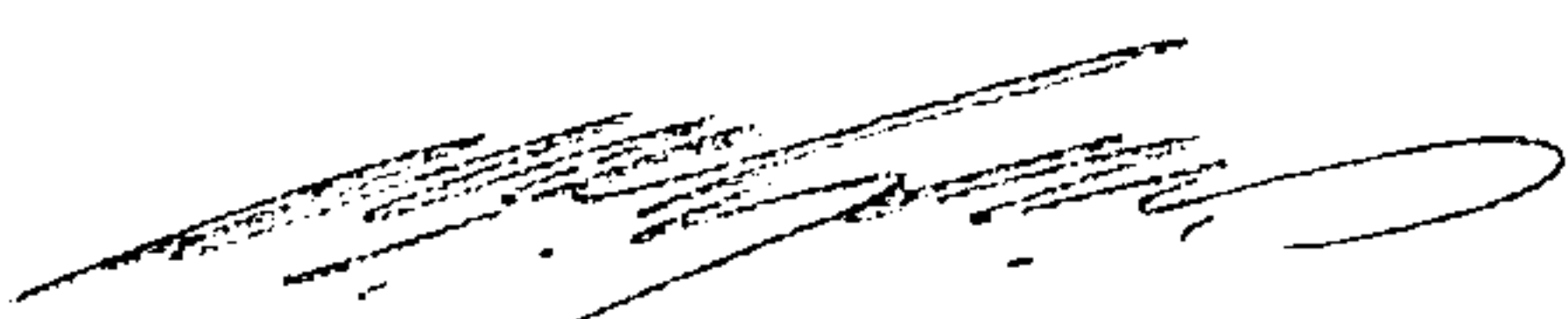
Senator Clever M. Ikisikpo
Member



Senator Abubakar O. Saraki
Member



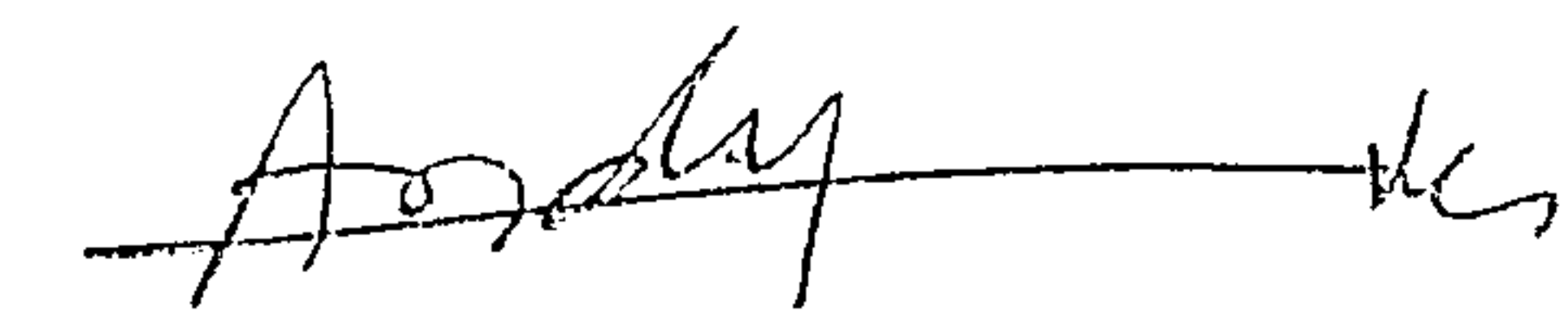
Senator Nenadi E. Usman
Member



Senator Ayo P. Akinyelure
Member



Senator Isa M. Galaudu
Member



Senator Andy E. Uba
Member



Abdullahi El-Rasheed
Committee Clerk

LIST OF ABBREVIATIONS

AGF	-	Accountant General of the Federation
AGO	-	Automotive Gas and Oils
CBN	-	Central Bank of Nigeria
DPK	-	Dual Purpose Kerosene
MPR	-	Department of Petroleum Resources
FAC	-	Federation Account Allocation Committee
FIRS	-	Federal Inland Revenue Service
GCFR	-	Grand Commander of the Federal Republic
GM	-	Group Managing Director
JOA	-	Joint Operating Agreement
MCA	-	Modified Carried Agreement
MDAs	-	Ministries, Departments and Agencies
MoF	-	Ministry of Finance
MoPR	-	Ministry of Petroleum Resources
NEITI	-	Nigeria Extractive Industries Transparency Initiative
NNPC	-	Nigeria National Petroleum Corporation
NPDCL	-	Nigerian Petroleum Development Company
OML	-	Oil Mining Leases
OPL	-	Oil Prospecting License
PIB	-	Petroleum Industry Bill

- Petroleum Product Pricing Regulatory Agency
- Pricewaterhouse Coopers Limited
- Petroleum Profit Tax
- Reserve Development Project
- Strategic Alliance Agreement
- Satellite Field Development
- Trial Marketing Period

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