
ANALYSIS OF PERFORMANCE OF EXTRACTIVE SECTORS IN 2016



Unconstitutional Deductions by NNPC

N1.7tn

Revenue Generated

JVC
Deductions



N797.7bn

Remittance into Federation Account

927.5bn

The deduction of **N927,568,696,364.33** from the revenue collected by NNPC is contrary to the provisions of Section 162(1) of the 1999 Constitution (as amended) which stipulates that "all revenue should be paid to the Federation Account". Issue of un-constitutional deductions has been a regular subject of previous annual audit reports without any positive response from NNPC.

Outstanding Subsidy Paid in 2016

| | 2014 | 2015 |
|---------------------|------------------|------------------|
| Amount Paid | N121.29bn | N441.98bn |
| No. of Transactions | 117 | 324 |

Total Payment amounted to **N563.28bn** as against the **N443.94bn** indicated in the FAAC Records at the Office of Accountant General of the Federation.

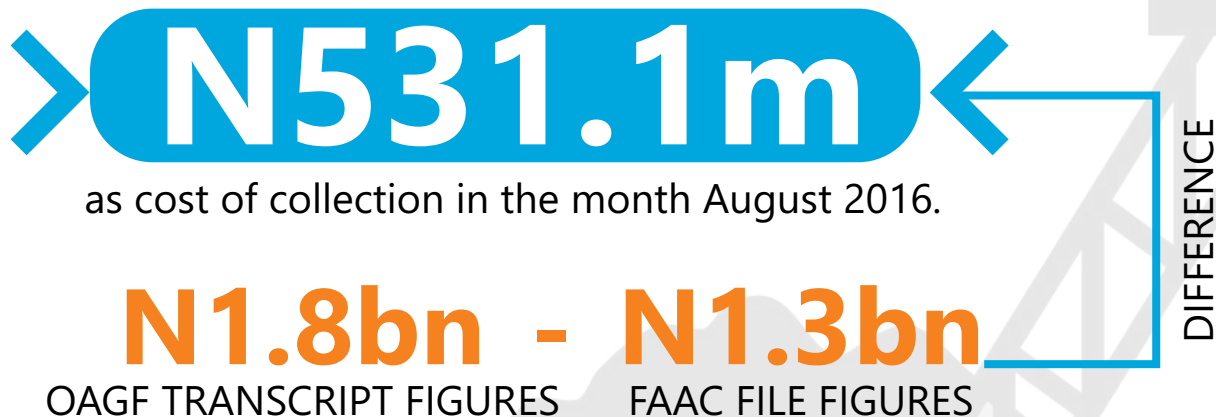
Non-Collection of Revenue by NNPC & DPR

| AGENCY | REVENUE TYPE | PERIOD OF NON-COLLECTION | NO OF MONTHS |
|-------------|------------------------|----------------------------------|--------------|
| NNPC | Gas Receipts | Jan. - Jun. & Sept. & Nov., 2016 | 8 |
| NNPC | Miscellaneous Receipts | Feb. - Dec., 2016 | 11 |
| DPR | Rentals | May, 2016 | 1 |

No reason was provided for non-collection of revenue for the highlighted period

Overpayment of 4% Cost of Collection Fee to the Department of Petroleum Resources (DPR)

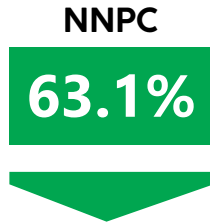
Examination of the Accountant-General's Transcript and FAAC figures revealed that DPR was over paid



Decline in Revenues Collected by NNPC & DPR

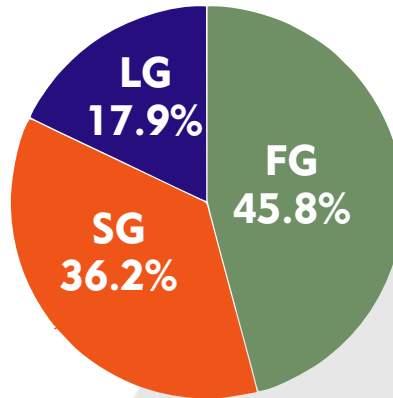
| AGENCY | 2011 | 2016 | SHORTFALL(%) |
|-------------|-----------------------------|-----------------------------|---------------|
| NNPC | 4,627,977,490,943.77 | 1,725,318,486,455.07 | 63.1% |
| DPR | 1,062,598,638,253.36 | 468,018,699,815.74 | 55.94% |

No reason was provided for non-collection of revenue for the highlighted period



Natural Resources Revenue as Shared by the Three Tiers of Government

| AGENCY | FEDERAL GOVT | STATE GOVTS | LOCAL GOVTS | TOTAL |
|-----------------------|--------------------|--------------------|--------------------|----------------------|
| MINERALS | 757,938,474,180.09 | 384,436,522,970.61 | 296,384,445,104.59 | 1,054,322,919,284.68 |
| 13% DERIVATION | 0 | 214,987,043,095.63 | 0 | 214,987,043,095.63 |
| TOTAL | 757,938,474,180.09 | 599,423,566,066.24 | 296,384,445,104.59 | 1,269,309,962,380.31 |



Maintenance of Excess Crude Oil/Ppt/Royalty Account Without Legal Authority

N361.2bn

classified as PPT/Royalty was deducted from total
Oil and Gas revenue collected before the balance was paid to the Federation Account.

These deductions contravene the provisions of Section **162 (1)** of the Constitution of the Federal Republic of Nigeria, **1999** which states that „The Federation shall maintain a special account to be called “The Federation Account” into which shall be paid all revenues collected by the Government of the Federation”.

Excess Crude oil/PPT/Royalty Account has been operating without legal authority.

Crude Oil Production Between 2014 & 2016 (Downward Trend Noticed)



Total Production is made up of production recorded in **JV (Joint Ventures), PSCs (Production Sharing Contracts), SCs (Services Contracts), Independent Fields, Marginal Fields, CA/MCA** in that year.

Poor Record Keeping for Lifting of Crude to Two Local Refineries

Review and examination of Domestic Crude Oil Lifting sales profile showed that several deliveries were stated to have been jointly lifted by or delivered to Warri Refinery and Petrochemical Company (WRPC) and Kaduna Refinery and Petrochemical Company (KRPC) without necessary details or breakdown of what was delivered to the respective companies.

WRPC

KRPC

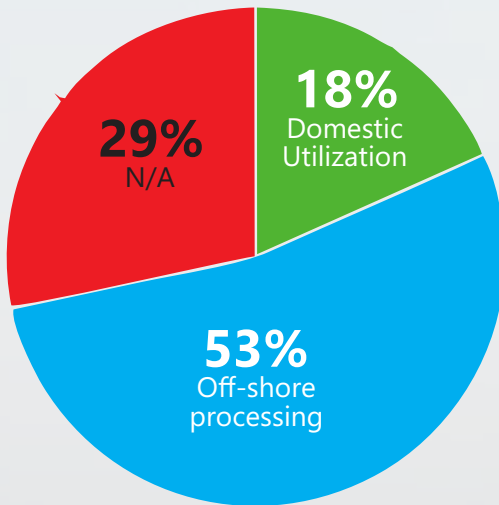
8,399,027bbls

=

\$376,655,589.03

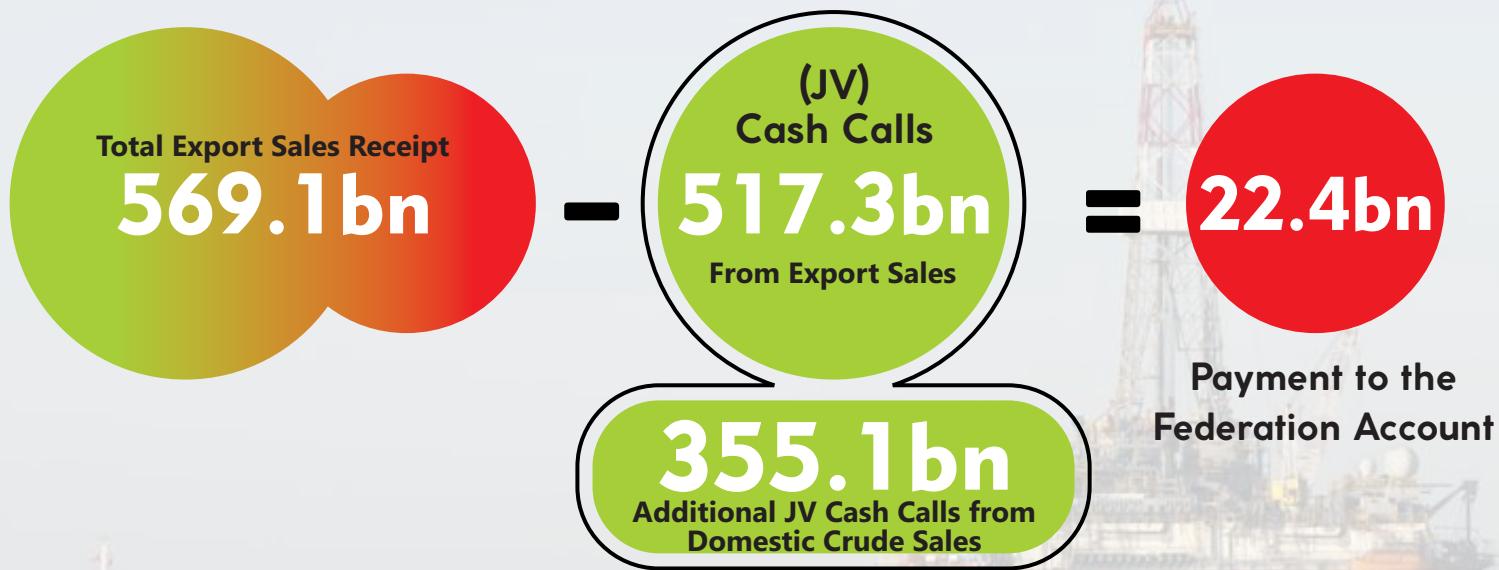
Total Crude lifted by WRPC & KRPC - 8,399,027 bbls
Sales Value - \$376,655,589.03 (N102, 659,577,632.16)

WRPC, KRPC & PRPC Refineries Failed to Utilize Crude Allocation



Crude Oil Lifting (Jan-Dec 2016) - 126,163,388 Bbls
Domestic utilization - 23,085,639 Bbls (18%)
Off-shore processing - 67,386,566 Bbls (53%)

Low Revenues from Export Sales of Crude Oil & Gas into the Federation Account



The implication of the above is that the bulk of the revenues received from the sales of domestic crude oil and gas by NNPC are paid out as Joint Venture cash call payments. It is also unclear whether the Joint Ventures are profitable and how the Federation's interest in these Joint Ventures is accounted for.

Opacity of Interest on Foreign Ppt/Royalty & Excess Crude Funds Invested



The authority for placing the funds, the principal sums deposited, the tenor and rate of interest were not made available for audit verification. This has been a recurring issue since 2007 without any positive response from Central Bank of Nigeria.

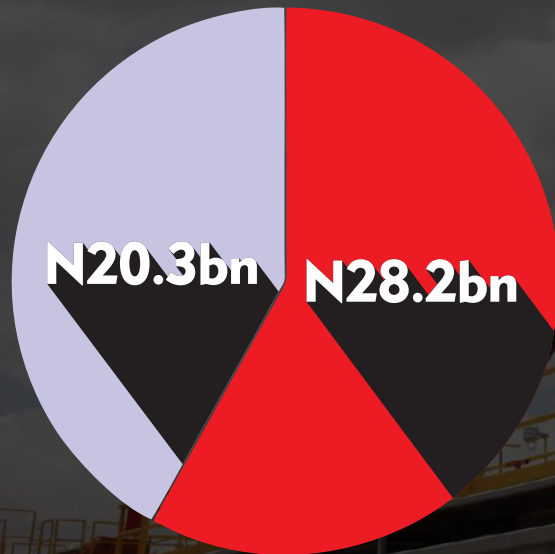
Closing balances as at year end, 28th December, 2016,

FOREIGN PPT/ROYALTY **\$0.00**

FOREIGN EXCESS CRUDE ACCOUNT **\$168.25m**

showing that Foreign PPT/Royalty was depleted before the year end.

Development of Natural Resources



N48.6bn was received between January and December 2016 into the Ecological Fund as the required 3% deduction from the Federation Account for the Development of Natural Resources.

58% was paid out as loans for various activities not related to Development of Natural Resources

Refund of N450 Billion by NNPC to Federation Account

N94.9bn

Funds due to be remitted
by NNPC

N18.9bn

Balance outstanding

Refund
made by NNPC

N75.9bn

(monthly refund of N6.3bn from Jan - Dec. 2016)

However, the relevant authorization and other details relating to the debt swap that warranted the Federal Government share of NNPC refundable to be used for debt servicing at source was not produced for audit purpose since 2012.

Under Remittance of Revenue from Domestic Crude Oil Sales by NNPC

A cumulative total of
N4.07tn

was unremitted to the Federation Account by NNPC
as at **31st December 2016**.

This is according to NNPC report to Technical Sub-Committee
of Federation Account Allocation Committee
meeting held in December **2016**

Extra Budgetary Expenditure on Total Subsidy (Petroleum Support Fund - PSF) Paid in 2016

Examination of Subsidy records provided by FAAC revealed

➤ **N443.9bn** ◀

as total subsidy paid during the year 2016
which was not provided for in the budget.

This reflects continuing weaknesses in the budgeting process adopted by the Federal Government.