OFFICE OF THE AUDITOR-GENERAL FOR THE FEDERATION



AUDITOR-GENERAL FOR THE FEDERATION'S PERFORMANCE AUDIT REPORT

ON

PRE-SHIPMENT INSPECTION AND MONITORING

OF

CRUDE OIL AND GAS EXPORTS BY FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING FOR THE PERIOD JANUARY 2016 TO DECEMBER, 2020

THE AUDITOR-GENERAL FOR THE FEDERATION

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The Clerk to the National Assembly,
National Assembly Complex,
Three Arms Zone,
Abuja.

AUDITOR-GENERAL FOR THE FEDERATION'S PERFORMANCE AUDIT REPORT ON PRE-SHIPMENT INSPECTION AND MONITORING OF CRUDE OIL AND GAS EXPORTS BY FEDERAL MINISTRY OF FINANCE, BUDGET AND NATIONAL PLANNING (FMOFB&NP), FOR THE PERIOD JANUARY 2016 TO DECEMBER 2020

In accordance with Section 85(2) of the Constitution of the Federal Republic of Nigeria,1999 (as amended), I have undertaken a Performance Audit on Pre-shipment Inspection and Monitoring of Crude Oil and Gas Exports by the Federal Ministry of Finance, Budget and National Planning (FMOFB&NP), for the period January 2016 to December 2020 and hereby submit the report.

2. I conducted the audit in accordance with the International Standard of Supreme Audit Institutions for Performance Auditing (ISSAI 3000). This standard requires that I plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for my findings and conclusions. I believe that the evidences obtained provide a reasonable basis for my findings and conclusions based on my audit objectives.

3. My Office intends to carry out a follow–up at an appropriate time in future regarding actions taken in relation to the recommendations in this report.

4. I would also like to thank the staff of Federal Ministry of Finance, Budget and National Planning (FMOFB&NP) for the conducive environment provided to my staff during the period of the audit.

5. Please, accept the assurances of my highest regards always.

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Auditor-General for the Federation
FRC/2019/004/000000/20094

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LIST OF ABBREVIATIONS

BBL	Barrels
CBN	Central Bank of Nigeria
COMD	Crude Oil Marketing Division
DMB	Deposit Money Bank
DPR	Department of Petroleum Resources
DWM	Department of Weight and Measures
FMOFB&NP	Federal Ministry of Finance, Budget and National Planning
FMOIT&I	Federal Ministry of Industry, Trade and Investment
FOB	Freight on Board
MEAs	Monitoring and Evaluation Agents
NASS	National Assembly
NCS	Nigerian Customs Service
NESS	Nigerian Export Supervision Scheme
NNPC	Nigerian National Petroleum Corporation
NXP	Nigerian Export Proceeds
PIAs	Pre-shipment Inspecting Agents
PSI	Pre-shipment Inspection
PPA	Public Procurement Act
PSIEA	Pre-Shipment Inspection of Export Act
TMS	Trade Monitoring System

DEFINITION OF TERMS

S/N	TERMS	DEFINITION
1.	FISCALISATION	This is the measuring of a crude oil shore tank nominated for a given export operation prior to commencing of discharge of its content, to obtain all the necessary data required for the determination of quantity and taking proper samples for quality control of the crude oil in the tank.
2.	DEFISCALISATION	The measuring of a crude oil Tank after loading from the tank to obtain relevant data and sample, to determine quantity and quality of its contents.
3.	FREE ON BOARD(FOB) VALUE	This is the value of the goods free on board, inclusive of the cost of transport to the port or site of final shipment abroad.
4.	NIGERIA EXPORT PROCEEDS (NXP) FORM	The NXP Form is a mandatory statutory document to be completed by all exporters for shipment of goods outside Nigeria.[1] It contains the details of the goods to be exported and facilitates tracking of export proceeds into the Exporter's Domiciliary account in Nigeria.

[1]https://www.gtbank.com/business-banking/international-trade/imports-exports/form-nxp

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EXECUTIVE SUMMARY

Background of the audit

The Oil and Gas sector is critical to Nigeria's economy. It has continued to be the mainstay of the economy, despite Government's best efforts at diversification into Agriculture and Mining. Even though the sector is less than 10% of the country's GDP, it has contributed about 65% of Government revenue and 88% of Nigeria's foreign exchange earnings.

Government has evolved strategies to develop its revenue base in the Oil and Gas sector, as has been seen in the promulgation of laws establishing various Ministries, Departments and Agencies (i.e., Ministry of Petroleum Resources, Nigeria National Petroleum Corporation, Department of Petroleum Resources, etc.) with responsibilities for both the up-stream and down-stream activities.

The World Trade Organisation (WTO), in 1994, arrived at twelve (12) trade agreements. These agreements are collectively known today as General Agreement on Tariffs and Trade (GATT) 1994. It is an international treaty binding upon all WTO Members (including Nigeria). Among the WTO Agreements is the Agreement on Pre-Shipment Inspection.

In order to domesticate the Agreement on Pre-Shipment Inspection, the Federal Government of Nigeria introduced the Nigeria Export Supervision Scheme (NESS) in 1996, by enacting the Pre-Shipment Inspection of Exports Act (PSIEA) No. 10 of 1996. The aim was to subject all exports of Oil and Non-Oil products from Nigeria to inspection by Pre-Shipment Inspection Agents(s) appointed for that purpose by the President. This was followed with subsequent guidelines issued by the Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) to ensure effective implementation of the Act. It purposed to formalize trade in the export transaction, thereby plugging leakages of revenue accruing to the Federal Government.

Summary of Findings

i. Non-Appointment of Service Providers by the President from 2015 to date.

Section 12(1) of the Pre-Shipment Inspection of Exports Act, 1996 states "The President shall appoint such number of companies as inspecting agents to carry out any pre-shipment inspection required by or pursuant to this Act."

Audit review of Correspondence file of NESS at the Ministry and interviews with the Director, Home Finance Department and his staff revealed that the appointment of the existing service providers (PIAs and MEAs) was terminated by Mr. President, upon his assumption of office, with effect from 6th July, 2015.

Audit analysis of the Minister's correspondences with the President vide letter ref. nos. HMFBNP/SH/NESS/09/2020 dated 28th September, 2020 revealed that the non-appointment of new PIAs and MEAs was as a result of the delay in the procurement process. Further audit evaluation of the letter showed that the Minister sought and obtained Mr. President's approval on the 29th of September, 2020 for cancellation of the procurement process, citing numerous petitions and controversies with which the procurement process was flawed.

Consequently, the non-appointment of these Pre-Shipment Inspectors and Monitors especially as it relates to gas exports has denied the country records of the actual volume and FOB value of gas exports made during the audit period.

ii. Appointment of three (3) Service Providers on stop-gap arrangement without Approval by the President

Section 44 of the Public Procurement Act, 2007 stipulates "Where a procuring entity wishes to procure services for its needs which are precise and ascertainable, (a) it shall solicit for expressions of interest or applications to pre-qualify to provide the services by publishing a notice to that effect in at least 2 national newspapers and the procurement journal." Also, section 12(1) of the Pre-Shipment Inspection of Exports Act, 1996, stipulates that "The President shall appoint such number of companies as inspecting agents to carry out any pre-shipment inspection required by or pursuant to this Act."

However, audit review of PIAs and MEAs' Letters of Appointment and the Ministry's Consultants' file, revealed that, after the termination of the appointment of the PIAs and MEAs by the President in 2015, the Ministry embarked on a stop-gap arrangement, with the appointment, on 4th July, 2017, of two (2) Pre-Shipment Inspection Agents (PIAs) for crude oil exports on temporary basis, with effect from 5th July, 2017, and the appointment, on 12th of October, 2017, of one (1) Monitoring and Evaluation Agent (MEA) for crude oil exports.

The appointment of the three (3) service providers on stop-gap arrangement is a violation of sections 44 and 12(1) of the Public Procurement Act, 2007, and the Pre-Shipment Inspection of Export Act, 1996.

Auditors' review of Office of the Accountant-General of the Federation's mandates for payment of Pre-Shipment Inspection Services on Nigerian export (Oil & Gas) provided to the audit team by the Ministry revealed that the sum of ₦54,899,286,005.70(Fifty four billion, eight hundred and ninety nine million, two hundred and eighty six thousand, five naira, seventy kobo) has been paid to the three (3) consultants from 2016 to 2020 as fees for their services.

iii. Payments to PIAS and MEAS without Budgetary appropriation

Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), provides states “No moneys 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.”

Auditors’ review of Office of the Accountant-General of the Federation’s mandates for payment of Pre-shipment Inspection Services on Nigerian export (Oil & Gas) for 2016 to 20120 revealed that the sum of ₦73,946,397,122.83 (Seventy three billion, nine hundred and forty six million, three hundred and ninety seven thousand, one hundred and twenty two naira eighty three kobo) was paid to eleven (11) PIAs and MEAs for inspection and monitoring of Oil and Gas exports existing before the termination of their appointment by the President in 2015, and part of who are currently engaged on stop-gap arrangement without budgetary appropriation by the National Assembly.

The payment of fees of the service providers without budgetary appropriation is a violation of the provisions of Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended).

iv. Crude Oil export without completing the Nigeria Export Proceeds (NXP) Form

The preamble of Export Guidelines for Oil and Gas Export, 2017states “Any person intending to export oil and gas and other related product out of Nigeria shall, in the first instance, process the Nigeria Export Proceeds (NXP) Form and any other form so prescribed through an authorized Dealer bank irrespective of the value and whether or not payment is involved”.

Audit review of the Annual reports of Pre-Shipment Agents (PIA) for the period revealed that some exporters of crude oil exported without completing the required NXP form as stipulated. This was further confirmed from an interview conducted with the Pre-Shipment Inspection Agents (PIAs) in charge of the Oil and Gas Terminals.
Auditor’s review of annual reports of PIAs revealed that the PIAs, on monthly, quarterly, and annual basis, submitted their reports highlighting non-completion of NXP forms and the FOB value of such exports to the Central Bank of Nigeria (CBN), which is the head of NESS Secretariat and has the responsibility to monitor the repatriation of all export proceeds. However, auditors’ review of the NESS annual report from 2016 to 2019 neither revealed such non-compliance by exporters nor corrective actions taken by the CBN to forestall reoccurrence.

Information obtained from the PIA revealed that during the audit period, a total of 17,877,705 barrels of crude oil valued at $1,020,969,281.12 (One billion, twenty million, nine hundred and sixty nine thousand, two hundred and eighty one dollars, twelve cents only) were exported without completion of the required NXP Forms.

v. Non-payment of NESS Levy by Nigeria National Petroleum Corporation (NNPC)

Section 14(2) of Pre-Shipment Inspection of Export Act provides "There shall be a special account established pursuant to subsection (1) of this section the levies payable by the exporter of goods on all oil and non-oil exports as may be approved in guidelines issued pursuant to this Act by the Federal Government, from time to time"

Section 7 of the Export Guidelines for Oil and Gas Export also stipulate that "The exporter shall be required to pay to a designated bank within thirty (30) days from the date of shipment the Nigeria Export Supervision Scheme (NESS) levy which is currently 0.12% of the F.O.B value of the exported crude oil/gas and related product"

Audit review of NESS Annual report as compiled by the Technical Committee on Pre-Shipment Inspection for the audit period revealed that Nigeria National Petroleum Corporation (NNPC) default in the payment of NESS levy. The report of 2016 indicated that the Corporation was indebted to the Scheme to the tune of ₦26,204,218,007.83 as at 30th June, 2015. The Corporation indebtedness increased to ₦31,215,478,925.36 as reported in 2017 NESS Annual report.

While 2018 report revealed a dropped to ₦27,682,859,799.32. In year 2019, it further dropped to ₦13,471,857,145.62.

Although NESS Annual report for 2020, was not made available to the audit team, but a review of NESS correspondence file maintained by FMoFB&NP, specifically a memo from CBN addressed to Honorable Minister of Finance, Budget and National Planning with Ref. Nos. TED/EXP/CON/NES/01/123 of 8th March, 2021, revealed that the Corporation's level of indebtedness increased to the tune of ₦19,289,911,020.56 being the reconciled value of its indebtedness to the Scheme.

vi. Non- participation by relevant Government Agencies in the Fiscalisation and Defiscalisation exercise

Section 11 of The Export Guidelines for Oil and Gas provide that "Inspection shall take place at the oil/gas export terminals. The following Government agencies should be present during the exercise; Nigeria Custom Service (NCS), Department of Petroleum Resource (DPR), Weights and Measure Department(W&M) of Federal Ministry of Industry, Trade and Investment, the Crude Oil Marketing Division (COMD) of Nigeria National Petroleum Corporation and any other Government Agency that may be assigned."

Also, section 23(iii) of The Export Guidelines for Oil and Gas state that "The Fiscalisation/Defiscalisation team shall include the representatives of the following: Terminal Operator, DPR and independent cargo surveyors appointed by the buyer, NNPC-COMD, NCS, PIA/MEA and Weight and Measure Department of Federal Ministry of Industry, Trade and Investment".

Audit review of the Annual Report of the Monitoring and Evaluation Agent for the audit period under review, it was revealed that relevant government agency such as DPR, NCS, FMITI (Weight and Measures) and NNPC that were supposed to participate in the Fiscalisation and Defiscalisation process were most times not present during the exercise. They are mostly not present at the ship side while in most cases, they are present at the shore side for inspection exercise.

vii. Denial of Inspectors and Monitor access to Oil and Gas Terminals

Section 1 of Pre-Shipment Inspection of Export Act stipulates "As from the commencement of this Act, no goods to which this Act applies shall be exported from Nigeria unless an inspecting agent appointed pursuant to section 12 of this Act has issued in respect of the goods Clean Certificate of Inspection to overseas buyers of the goods"

Section 18(1) of Pre-Shipment Inspection of Export Act states "Any person who, at any time after the commencement of this Act, knowingly export goods liable to pre-shipment inspection under this Act otherwise than in compliance with the provisions of this Act is guilty of an offence under this Act"

The audit team noted during review of Inspection and Monitoring Agents' annual reports for 2016 – 2020, that Nigeria Liquefied Natural Gas Limited (NLNG) has continually refused PIAs and MEAs access to the Terminals under its control to carry out inspection and monitoring activities as required by the Act.

Also, the operators of Puffin (Floating Production Storage and Off take (FPSO)) Terminal located on Ajeoil field and Zaffiro Terminal being operated by Mobil/NNPC, located outside Nigeria in the Equatorial Guinea under the inspection of Trobell International Nig. Ltd and Robinson International Energy Limited could not be accessed for inspection.

viii. Non-usage of Metering equipment at Export Terminal

Section 52(1) of Petroleum (Drilling & Production) Regulations of 1969 stipulate that "The licensee or lessee shall, with volume and gravity correction to sixty-degree Fahrenheit and by a method or methods approved by the Director of Petroleum Resources in writing, measure or weigh – (a) all crude oil won and saved and casing head petroleum spirit recovered from relevant area; and (b) all-natural gas sold". Also, section 52(2) of the Regulation stipulates that "The Director of Petroleum Resources or an officer authorised by him shall have the right to be present whenever any such measurement or weighing take place"

Interviews conducted with the Managing Directors and staff of PIAs and MEA revealed that Okono terminal does not have metering equipment since 2012. It also revealed that Ebok and Forcados terminals do not use the available metering equipment to measure quantity during Fiscalisation and Defiscalisation exercise.

Due to absence of measuring equipment at these terminals, it has resulted in delay lifting/sailing by the vessel, high rate of error resulting from manual metering, increased fatigue for monitors through tedious manual process of determining export quantity. Also, no independent verification of loading into vessel by DPR who rather adopt and relied on the figures arrived at by the Agents.

Summary of audit conclusions

i. Non-appointment of Service Providers by the President since 2015

Delay in the procurement process of Pre-Shipment Inspectors and Monitoring Agents since 2015 has resulted in the non-appointment of PIAs and MEAs by the President. This continuous non-appointment will have a disastrous effect of capital flight and commercial fraud resulting from non-repatriation of gas exports.

ii. Appointment of Service Providers on stop-gap basis without Approval by the President

The stop gap arrangement by FMFB&NP is a violation of Section 12(1) of the Pre-Shipment Inspection of Exports Act, 1996 and sections 44 and 12(1) of the Public Procurement Act, 2007. As a result of this, the payment of ₦54,899,286,005.70was made to the three (3) consultants from 2016 to 2020.

iii. Payments to Service Providers without budgetary appropriation

The provision of Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1990 (as amended) was violated by FMFB&NP in the payment of ₦73,946,397,122.83 (Seventy-three billion, Nine hundred and forty-six million, three hundred and ninety-seven thousand, One hundred and twenty-two Naira Eighty-three kobo) to eleven (11) PIAs and MEAs for inspection and monitoring of Oil and Gas without budgetary appropriation. Although, Section 14(1) and Section14 (3) of the Pre-Shipment Inspection of Exports empowers the Ministry to make payment without recourse to budgetary provisions.

iv. Export of Crude Oil and Gas without completion of NXP Form

It is evidence that Crude oil and gas worth $1,020,969,281.12 were exported without completion of the required NXP Forms. This gives rise to either non repatriation or delay in repatriation of export proceeds. The situation continued as at the time of audit because DPR has not been sanctioning defaulters as provided by section 19(a) of the guidelines and inadequate monitoring by Trade and Exchange Department of Central Bank of Nigeria who has the mandate as stipulated in section 20(c) of the Export Guidelines to monitor Deposit Money Bank (DMB) of Exporters.

v. Non-payment of NESS Levy by NNPC

The Nigeria National Petroleum Cooperation (NNPC) has consistently defaulted in the payment of NESS levy due. As at the time of the audit, the Cooperation is owing the sum of ₦19,289,911,020.56. This is capable of affecting the effective implementation of Pre –Shipment Inspection and Monitoring if not promptly checked.

vi. Non-participation by relevant government agencies in the Fiscalisation and Defiscalisation exercise

The absence of relevant government agencies at both shore and ship side for the purpose of ascertaining quality and quantity of crude oil and gas exports is a dereliction of duty as provided in the Act and which was further reinforced in the guidelines. These agencies are supposed to regulate activities at Terminals and protect the interest of government among other stakeholders but relinquish their duties to Service Provider. The aftermath of their inconsistencies can result in loss of revenue to government.

vii. Denial of Inspectors and Monitor access to Oil and Gas Terminals

The quantity of crude oil and gas presented to the audit team were without data from exports of and Gas made by NLNG, Puffin and Zaffiro Terminals from 2016 to 2020, since they were not accessable for inspection and monitoring. This will lead to continuous loss of Oil and Gas revenue to government.

viii. Non-usage of Metering equipment at some Export Terminal

Measuring equipment meant to guarantee accuracy of quantity and sample collection for quality testing is either not available or used at terminals because DPR as a regulatory authority has not provided and enforced its usage were available. The manual method of arriving at quantity and sample collection is prone to error and can lead to inaccurate records.

Summary of audit recommendations

i. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) should institute the process of transparently procuring new Service Providers for effective pre-shipment inspection and monitoring of Crude Oil and Gas export in over thirty-two (32) export terminals in Nigeria.

ii. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) should ensure that all appointments of Pre-Shipment Inspectors and Monitors currently on stop-gap arrangement are ratified by the President.

iii. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) should propose amendment to Section 14 of Pre-Shipment Inspection of Export Act, 1996 to conform with the requirement of Section 80(4) of the Federal Republic of Nigeria,

1990 (as amended) as any payment to Service Providers on behalf of government outside appropriation is an extra-budgetary expenditure.

iv. To checkmate the non- completion of NXP form by exporters of Crude Oil and Gas, the:

i. Trade and Exchange Department of Central Bank of Nigeria should ensure adequate monitoring of Deposit Money Bank (DMB) of Exporters, ensuring that the DMBs provide it (CBN) with reports on Exporters' compliance or otherwise with 90 days' rule on repatriation of export proceeds.

ii. CBN should fully enforce the automation of Form "NXP" on its Trade Monitoring System (TMS) and set up modalities to ensure the recovery of $1,020,969,281.12(One billion, twenty million, nine hundred and sixty nine thousand, two hundred and eighty one dollars, twelve cents only), being value of export without completion of the required NXP Forms from 2016 – 2020.

v. Nigerian Upstream Petroleum Regulatory Commission (NUPRC) should deny any exporter that defaults in filling the form NXP export permit, as prescribed by the Export Guidelines

vi. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) through the NESS Secretariat should ensure the prompt payment of NESS Levy within thirty (30) day by Nigeria National Petroleum Cooperation (NNPC) and other exporter by imposing appropriate sanctions for delay payment.

vii. The Management of NUPRC, NCS, FMITI and NNPC, should ensure that its representatives at the various terminal across the country, participate in the Fiscalisation and Defiscalisation exercise at Shore side and Ship side and produce evidence of participation on a monthly, quarterly and annual basis. Also, there should be proper reconciliation among stakeholders for Crude Oil Export volume data before publication.

viii. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) should:

i. Ensure that all operators of Oil and Gas terminals, including NLNG, Puffin and Zaffiro, provide PIAs and MEAs unrestricted access to their various terminals and

ii. Report to relevant authorities where access is not granted for appropriate sanction of the defaulters.

ix. The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) should as a matter of urgency, ensure the provision of modern metering equipment at Okono, Ebok and Forcados terminals and all other export terminals across the country with manual or obsolete metering equipment and enforce the effective and efficient usage of these equipment by operators.

MANAGEMENT RESPONSE / COMMENTS

The following were the comments made by the Federal Ministry of Finance, Budget and National Planning (FMFB&NP) with respect to the Performance Audit findings.

i. **Non-Appointment of Pre-Shipment Inspectors and Monitors from July, 2015 to date.**

Ministry's Responsse

The Federal Ministry of Finance, Budget and National Planning (FMFB&NP) did not respond to this audit issue.

ii. **The appointment of three (3) Service Providers on stop-gap arrangement**

Ministry's Response

On the 6th of July 2015, the contract of PIAs and MEAs for Crude Oil and Gas export were terminated based on government policy and to avoid disruption of activities and chaos at the various Terminals with attendant negative effect on revenue generation, two (2) PIAs and one (1) MEA were allowed to continue operations, pending the appointment of new PIAs and MEAs and are still working on the basis of temporary engagement till date. Hence no vacuum was created at the terminals and the country was not denied of data with respect to actual volume and FOB value of oil and gas export as submitted by the Office of the Auditor-General for the Federation.

Without any iota of doubt, the Ministry met all the condition when it embarked on the procurement process for the appointment of the Pre-shipment Inspection Agent (PIAs) and Monitoring & Evaluation Agent (MEAs) for Oil and Gas Exports in February, 2016 based on BPP's approved invitation for Expression of Interest(EOI) which was duly published in two national dailies (Punch and Daily Trust of 1st and 2nd February, 2016, respectively and the Federal Tender Journal of 8th February 2016) soliciting Expression of Interest bids from competent and reputable consultant for the engagement as Pre-Shipment Inspectors and Monitors of Oil and Gas Exports. A total of One hundred and Sixty-Six(166) companies expressed interest, but Sixty Seven (67) companies were pre-qualified out of which forty-nine (49) eventually passed Quality Based Selection(Technical Proposal) having scored 70% marks and The Bureau of Public Procurement in line with the provision of the Public Procurement Act 2007 reviewed the Ministry request for Due Process Certificate of "No Objection**"** for the engagement of pre-qualified consultants and further reduced the number of pre-qualified companies to twenty(20). See attached **Annex I.**

In the light of the above, it is pertinent to state that Section 22 of the Pre-shipment Act No. 10 of 1996 empowers the Minister of Finance to give directives and issue

such guidelines as may be required , from time to time, for carrying into effect the objective of the Act, therefore the Minister acted in line with the powers conferred on her to approve the stop-gap arrangement to undertake Pre-shipment Inspection for Oil and Gas pending the engagement of new ones. This act by the Minister is not in any way a violation of Section 12(1) of the Pre-Shipment Inspection of Export Act, 1996 and Section 44 and 12(1) of the Procurement Act as presented in the Auditor-General for the Federation's performance audit report.

iii. **Payments to PIAS and MEAS without Budgetary appropriation**

Ministry's Response

Section 14 of the Pre-Shipment Act No. 10 of 1996 makes provision for the establishment and maintenance of an Account by the CBN called **"NESS POOL ACCOUNT"** for the purpose of funding the Pre-Shipment Inspection activities. Exporters of crude-oil exports are required to pay stipulated levies into the account, and all expense relating to the remuneration, fees and other charges payable to the inspection Agents are defrayed from the Account. It is important to clarify that NESS Pool Account is an Industry Fund established to finance the NESS Scheme. See attached **Annex II.**

iv. **Export of Crude Oil without completing the Nigeria Export Proceeds (NXP) Form**

Ministry's response

Section 25(c) of the Export Guidelines for Oil and Gas Export stipulate sanction on non-repatriation of export proceeds thus "any exporter that defaults in the repatriation of export proceeds within the time specified in the CBN Foreign Manual shall be liable to a penalty of 1% of the outstanding export proceeds" of which CBN has been enforcing.

v. **Non-payment of NESS Levy by Nigeria National Petroleum Corporation (NNPC)**

Ministry's Response

It has been the norm that NNPC makes yearly appropriation for the settlement of NESS levy indebtedness in its yearly Budget in collaboration with National Petroleum Investment Services (NAPIMS). In addition, the Ministry had been in constant communication with NNPC yearly demanding the settlement of the outstanding indebtedness, in good time, to enable the NESS Technical Sub-Committee meet its obligations.

Also, at the time the audit team carried out their investigations on the NESS Scheme, the NESS Annual Report for the Year 2020 was still in process. The 2020 edition was received by the Ministry on the 22nd December, 2021 from the NESS Technical Committee's Secretariat of CBN. A copy is enclosed herewith as **Annex III.**

vi. **Non- participation by relevant Government Agencies in the Fiscalisation and Defiscalisation exercise**

Ministry's Response

It is the norm that at the time/process of loading, all concerned representatives of all the affected Agencies as indicated above are invited to the site of loading inclusive of the terminal Operators either at shore or offshore to monitor the process, without which no vessel would be loaded. This is because the quantity of crude-oil in the vessel has to be ascertained and reconciled by all representatives before the vessel are issued, to the captain of the vessel/ship before departure, this is to enable the agencies collectively ascertain the volume of crude oil and ensure smooth sail at international waterways as well as safe arrival to its destination point/port of discharge.

It is important to explain that all relevant representatives of the agencies manually hand dip and verify the empty space of the storage tank (this process is referred to as the Fiscalisation and Defiscalisation process) record their findings in a log book with the aid of a Human Machine Interface (HMI) and monitor the loading of crude oil into the vessel through the pumps. After every loading, the representative of DPR, Arlington, Supervisor (Exxon Mobil) dips a meter that is well calibrated into the vessel and work out the level of water in the vessel by all concerned including the shippers and manually calculate the quantity of the crude in the vessel independently and all the individual analysis must arrive at a common figure that must be agreed with the metered figure.

Therefore, Fiscalisation and Desficalisation is a collective assignment involving all concerned agencies.

vii. **Denial of Inspectors and Monitor access to Oil and Gas Terminals**

Ministry's Response

NLNG is relying on some guarantees/assurance in the existing law that established NLNG which they posited made it difficult for the company to comply with the Pre-Shipment Inspection Act No. 10 of 1996. The Ministry in order to redress the situation, convened a meeting between the officials of Nigeria Liquefied Natural Gas (NLNG), the Pre-Shipment Agent (PIA) Monitoring and

Evaluation Agent (MEA)on Gas exports and representatives of the Ministry on the 13th October, 2021 and the issues presented, are being addressed by the Ministry.

However, it was revealed from the meeting, that the framework which guides investment portfolio of NLNG which is referred to as "Investment Protection Law of 1989" cum MOU was signed with investors and the Federal Government of Nigeria, **Precludes** NLNG's revenue from taxes, which they claimed to had been affirmed by FMFB&NP, CBN and the Attorney General of the Federation with an additional clause to maintain status-quo. The interface is on-going.

Meanwhile, Aje Oil field is **not** located outside Nigeria in the Equatorial Guinea as reported by the Auditor-General for the Federation's Team but is located off shore Western Nigeria and Trobell Int'l Nigeria Limited has been accessing it by air via Lagos. Puffin is **not** a terminal but it is a name of a **storage vessel** positioned on top of Aje terminal under Trobell Int'l Nigeria Limited while Zaffiro terminal is the one located off shore Equatorial Guinea and under Robinson Int'l Energy Limited and the PIA had reported officially of its inability to access the terminal.

viii. **Non-usage of Metering equipment at Export Terminal**

Ministry's Response

All terminal operators own the equipment needed at the terminal to measure quantity and quality of crude oil exports. While as a check on the exporters, the Pre-shipment Inspection Agents (PIAs) and Monitoring & Evaluation Agents (MEAs) who are appointed by the Federal Government, do have different types of relevant equipment to confirm the quality and quantity of the crude oil exports in their independent laboratories. Okono terminal is the only terminal that lacks metering equipment. However, the absence of metering equipment does not preclude determination of the quantity of crude-oil exported. It is calculated manually, but the process of manual calculation is a bit clumsy and laborious. In order to facilitate the process therefore, there is need to have modern metering equipment at the terminal, meanwhile Qua-Iboe and Forcados have metering equipment.

CHAPTER ONE

INTRODUCTION

1.1 Background to the audit

The Oil and Gas sector is very critical to Nigeria's economy. It has continued to be the mainstay of the economy despite Government's best efforts at diversification into Agriculture and Mining. Even though the sector is less than 10% of the country's GDP, it has contributed about 65% of Government revenue and 88% of Nigeria's foreign exchange earnings.[1]

Over the years, Government has evolved strategies to develop its revenue base in the Oil and Gas sector, as has been seen in the promulgation of laws establishing various Ministries, Departments and Agencies (i.e., Ministry of Petroleum Resources, Nigeria National Petroleum Corporation, Department of Petroleum Resources, etc.) with responsibilities for both the up-stream and down-stream activities.

The World Trade Organisation (WTO), in its Final Act of the 1986 – 1994 Uruguay Round of trade negotiations, arrived at twelve (12) trade agreements. Those agreements are collectively known today as General Agreement on Tariffs and Trade (GATT) 1994. GATT 1994 is one of the Multilateral agreements annexed to the WTO Agreement. It is an international treaty binding upon all WTO Members (including Nigeria). Among the WTO Agreement is the Agreement on Pre-shipment Inspection.[2]

Pre-shipment inspection (PSI) is the practice of employing specialised private companies to check shipment details such as price, quantity, quality of goods ordered overseas. The purpose is to safeguard national financial interests (prevention of capital flight and commercial fraud as well as customs duty evasion, for instance) and to compensate for inadequacies in administrative infrastructures.[3]

In order to domesticate the Agreement on Pre-shipment Inspection, the Federal Government of Nigeria introduced the Nigeria Export Supervision Scheme (NESS) in 1996, by enacting the Pre-shipment Inspection of Exports Act (PSIEA) No. 10 of 1996. The aim was to subject all exports of Oil and Non-Oil products from Nigeria

[1] KPMG (2019) Nigeria Oil and Gas update

[2] Dispute Settlement: World Trade Organization 3.5 GATT 1994

[3] https://www.wto.org/english/tratop_e/preship_e/preship_e.htm

to inspection by Pre-shipment Inspection Agents(s) appointed for that purpose by the President. This was followed with subsequent guidelines issued by the Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) to ensure effective implementation of the Act. It purposed to formalize trade in the export transaction, thereby plugging leakages of revenue accruing to the Federal Government.

1.2. Motivation

The audit was mainly motivated by the outcry from the House of Representatives over alleged irregularities associated with the activities of the Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) in relation to Pre-Shipment Inspection of crude oil and gas export. This allegation was made during the Public hearing organised by the Public Accounts Committee (PAC) of the House, which was attended by the Auditor General for the Federation in December, 2020.

Similarly, a letter addressed to the President by the Minister of Finance vide Ref. No. HMFBNP/SH/NESS/09/2020, dated 28th September, 2020, sought the President's approval to cancel the procurement process for the appointment of Pre-shipment inspection and monitoring/evaluation agents, noting that the procurement had been flawed with numerous petitions and controversies that led to a public hearing at the NASS, and that it had been ongoing for over two (2) years. Consequently, the President approved the cancellation of the procurement process on the 29th of September, 2020.[4]

In a related development, the House of Representatives, on the 15th of July, 2020, resolved to investigate the FMoFB&NP and the Central Bank of Nigeria (CBN) for engaging in extra budgetary spending of over $500 million from Nigeria Export Supervision Scheme (NESS) Fund.[5]

Also, there was an investigative hearing which followed a motion on March 1, 2017, in which it was alleged that the then Minister of Finance had overseen a process that saw to the selection of non-responsive companies that did not meet basic statutory requirements of PPA of 2007 like Tax Clearance, PENCOM Certificates, CAC registration etc. and that the entire pre-shipment process was being undermined, and could lead to significant revenue losses.

Revelations at the hearing had it that the FMoFB&NP directed the payment of Pre-Shipment Inspection Agents' (PIAs) claim of over $163.7 million even when the Clean Certificate of Inspection (CCI) did not indicate the volume of crude oil export from oil terminals and also without appropriation by the National Assembly,

[4]Cancellation of Procurement process for the appointment of pre-shipment inspection and monitoring/evaluation agent under the NESS for oil/gas exports

[5] http://www.thisdaylive.com/index.php/2020/07/15/house-to-investigate-500m-extra-budgetary-spending/

in violation of Section 80/81 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended).[6]

It further revealed that the inspection of crude oil and gas shipments is part of Department of Petroleum Resources (DPR) mandates and is better positioned with its new platform of National Production Monitoring System (NPMS) to sustain the capacity and effectively monitor crude oil export than the PIAs engaged by the FMoFB&NP. The lawmakers, therefore, insinuated that the continuous engagement of the Agents constituted a waste of scarce resources.

It was in view of the forgoing that the Auditor-General for the Federation decided to carry out a Performance audit on Pre-Shipment Inspection and Monitoring of Oil and Gas exports in Nigeria.

1.2 Methodological Design

The methodological design for this audit is summarised in the audit design matrix in Appendix 1.

1.3.1 Audit Objective

The audit aimed at assessing the effectiveness of Pre-Shipment Inspection and Monitoring of Oil and Gas exports in Nigeria.

1.3.2 Audit Scope

The audit focussed on Pre-Shipment Inspection and Monitoring of Oil and Gas export in Nigeria by the FMoFB&NP. The audit covered the period ranging from January 2016 to December, 2020 in four (4) major Export Terminals namely; Bonga, Escravos, Bonny and Qua Iboe out of thirty-two (32) existing Export Terminals within Lagos and Niger Delta region of the Federation.

1.3.3 Audit Questions (AQ)

The following questions were asked in line with the audit objective:

AQ 1. To what extent is the appointment of PIAs and MEAs done in line with the requirements of Pre-Shipment Inspection of Exports Act No. 10 of 1996 and the Public Procurement Act 2007?

AQ1.1. What mechanism is in place to ensure that competent PIAs and MEAs are appointed?

AQ 2. What are the controls in place to ensure full and timely repatriation of Oil and Gas export proceeds?

[6]https://guardian.ng/news/reps-query-cbn-ministry-over-illegal-payment-of-163-7-million/

AQ 2.1. How effective are sanctions for non-repatriation of export proceeds?

AQ 3. To what extent do exporters of Oil and Gas products comply with the provision of the Act as it relates to Inspection and Monitoring?

AQ 3.1. Do exporters of Oil and Gas products make payments of NESS Levy as stipulated by the Act?

AQ 4. How effective are the measures in place to ensure that measuring equipment are available at export terminals?

AQ 4.1 How effective is the use of metering equipment for Oil and Gas exports?

AQ 5. Is there adequate collaboration among relevant government agents and the appointed PIA/MEA in the execution of the Scheme?

AQ 5.1. To what extent are the relevant government agents participating in the Fiscalisation/Defiscalisation exercise?

AQ 5.2. What are the challenges militating against adequate collaboration among relevant government agents and the appointed PIAs/MEAs in the execution of the Scheme?

1.3.4 AUDIT CRITERIA

The audit criteria used in carrying out the audit are outlined in the table below:

S/N	LEGAL FRAMWORK	SECTION	PROVISIONS
1	Pre-Shipment Inspection of Exports Act (PSIEA) of 1996	1	"As from the commencement of this Act, no goods to which this Act applies shall be exported from Nigeria unless an inspecting agent appointed pursuant to section 12 of this Act has issued in respect of the goods Clean Certificate of Inspection to overseas buyers of the goods"
		11	"An exporter of goods, including petroleum products, shall open, maintain and operate a foreign currency domiciliary account in Nigeria into which shall be paid all exports proceeds corresponding to the entire proceeds of the exports concerned"
		12(1)	"The President shall appoint such number of companies as inspecting agents to carry out any pre-shipment inspection required by or pursuant to this Act"

		14(2)	"There shall be a special account established pursuant to subsection (1) of this section the levies payable by the exporter of goods on all oil and non-oil exports as may be approved in guidelines issued pursuant to this Act by the Federal Government, from time to time"
		18(1)	"Any person who, at any time after the commencement of this Act, knowingly export goods liable to pre-shipment inspection under this Act otherwise than in compliance with the provisions of this Act is guilty of an offence under this Act.
2	Export Guidelines for Oil and Gas Export, 2017.	7	"The exporter shall be required to pay to a designated bank within thirty (30) days from the date of shipment the Nigeria Export Supervision Scheme (NESS) levy which is currently 0.12% of the F.O.B value of the exported crude oil/gas and related product"
		11	"Inspection shall take place at the oil/gas export terminals. The following Government agencies should be present during the exercise; Nigeria Custom Service (NCS), Department of Petroleum Resource (DPR), Weights and Measure Department(W&M) of Federal Ministry of Industry, Trade and Investment, the Crude Oil Marketing Division (COMD) of Nigeria National Petroleum Corporation and any other Government Agency that may be assigned."
		20	"All exports shall ensure that export proceeds are repatriated and credited to their export domiciliary account within 9o days from the Bill of Lading date"
		23(b)(ii)	All parties that participate in the fiscalisation and defiscalisation process shall reconcile their independent export volume data with the terminal Operator and the DPR"
		23(b)(iii)	The fiscalisation/defiscalisation team shall include the representatives of the following: Terminal Operator, DPR and independent cargo surveyors appointed by the buyer, NNPC-COMD, NCS, PIA/MEA and Weight and Measure Department of Federal Ministry of Industry, Trade and Investment".

3	Public Procurement Act, 2007.	44	"Where a procuring entity wishes to procure services for its needs which are precise and ascertainable, (a) it shall solicit for expressions of interest or applications to pre-qualify to provide the services by publishing a notice to that effect in at least 2 national newspapers and the procurement journal."
4	Constitution of Federal Republic of Nigeria 1999 (as amended)	80(4)	"No moneys 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"
5	Petroleum(Drilling & Production) Regulations of 1969	52(1)	"The license or lessee shall, with volume and gravity correction to sixty degree Fahrenheit and by a method or methods approved by the Director of Petroleum Resources in writing, measure or weigh – (a) all crude oil won and saved and casing head petroleum spirit recovered from relevant area: and (b) all natural gas sold".
		52(2)	"The Director of Petroleum Resources or an officer authorised by him shall have the right to be present whenever any such measurement or weighing take place"

1.3.5 METHODOLOGY AND SOURCES OF DATA COLLECTION

The audit employed interviews, questionnaires, document review, observation, and physical inspection to obtain audit evidence.

CHAPTER TWO

PRE-SHIPMENT INSPECTION OF OIL AND GAS EXPORT

2.1. Introduction

This chapter describes the system of Pre-Shipment Inspection and Monitoring of Crude Oil and Gas export. The chapter highlights the framework governing the system and its funding. The key actors, their roles and responsibilities as well as their relationship are also described.

2.2. Background

The Pre-Shipment Inspection (PSI) process consists of two different stages: Physical inspection and Price verification. The physical inspection is designed to validate the information the exporter provided on the invoice, in the contract or in the documents regarding the quantity and quality of the goods (crude oil and/ or gas). The inspection occurs in the exporter's country, at the site of the production or storage of the goods. The price verification of PSI requires examination of invoice price of the goods and comparison with the prices of similar goods offered from the same country under similar circumstances. Although, both the physical inspection and price verification are undertaken for the same goods, the two processes are independent of other each[7].Prior to the introduction of the Nigeria Export Supervision Scheme (NESS), the export of oil and gas products was fraught with issues bothering on:

i. Under-pricing of cargoes
ii. Understatement of oil tonnages lifted
iii. Unofficial shipments and other fiscal losses.

Given these problems, the Pre-Shipment Inspection Act was enacted in 1996, providing for the appointment of Pre-Shipment Inspection Agents (PIAs) and Monitoring and Evaluation Agents (MEAs) by the Government to ensure checks and balances in the export of oil and non-oil products.

The Act, therefore, provides the legal framework for the Pre-Shipment Inspection and Monitoring of Oil and gas exports. Section 1 of the Act provides that no goods to which the Act applies shall be exported from Nigeria unless an inspecting agent appointed by the President has issued in respect of the goods a Clean Certificate of Inspection to the overseas buyers of the goods.

Section 12 of the Act empowers the President of the Federal Republic of Nigeria to appoint inspection agents to carry out the pre-shipment inspection of exports from

[7] Rome, Emily "Background, Requirements, and Future of GATT/WTO Pre-Shipment Inspection Agreement" (1998) Minnesota Journal of International Law. 166

Nigeria. The Central Bank of Nigeria (CBN) provides the Secretariat for the purpose of administering the Scheme. The Technical Committee on NESS assists the CBN in administering the Scheme.

Pre-shipment Inspection is not unique to Nigeria. Most countries request inspections for shipments above a certain value. However, in some instances inspections are necessary for all imported and exported products, regardless of value.

2.3. Objectives of the Scheme

The main objective of the Scheme is to diversify the export base of the country in order to increase the Nation's foreign exchange earnings. The core mandate of the Scheme includes the following:

i. To inspect and certify the quality, quantity and price of Nigerian exports;

ii. To ensure that Nigerian exports conform to international standards so as to be competitive in the international market;

iii. To provide statistical data on Nigerian's export activities to the relevant stakeholders. There is also the added benefit of revenue assurance provided by the tightened financial loop created by the programme for the repatriation of export proceeds

2.4. Funding of Pre-Shipment Inspection and Monitoring of Oil and Gas Export

The funding of pre-shipment inspection and monitoring of oil and gas exporting Nigeria is self-financing. Section 14(2) provides that "There shall be paid and credited into the special account established pursuant to subsection (1) of this section the levies payable by exporters of goods on all oil and non-oil exports as may be approved in guidelines issued pursuant to this Act by the Federal Government, from time to time". The Pre-shipment inspection of oil and gas export is funded from the NESS fee account as provided by Section 14 (3-4) of PSIEA, 1996, which states that "All expenses relating to the remuneration, fees, and other charges payable to the inspecting agent(s) shall be defrayed from the NESS fee account and any balance remaining in the account after making the payment referred to in subsection(3) of this section shall be used to fund the pre-shipment inspection programme established pursuant to this Act."

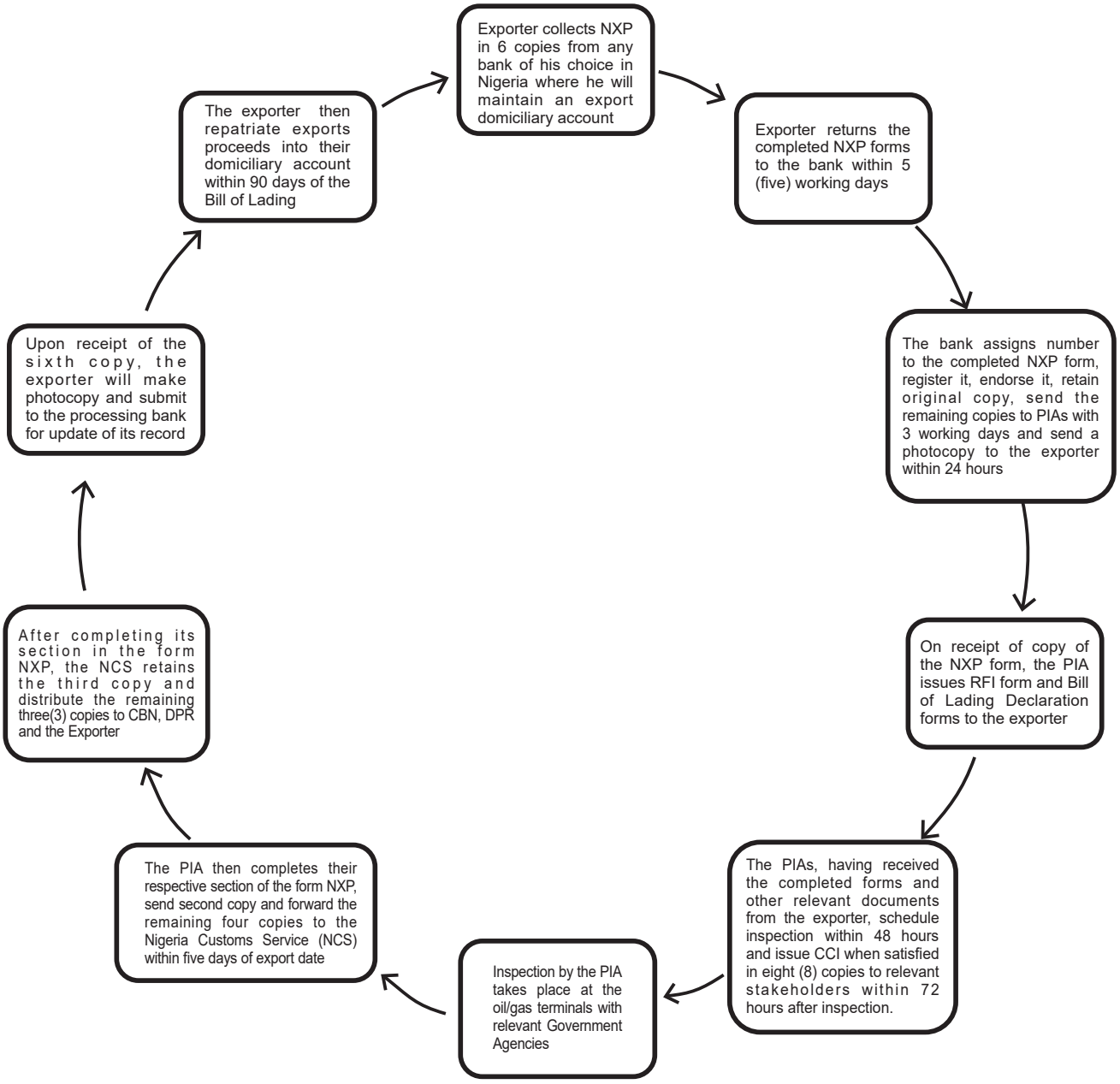
Table 1 below shows the funding and distribution of the proceeds of NESS Levy for Oil and Gas sector.

Table 1: Funding and Allocation of NESS Levy for Oil and Gas sector

NESS LEVY (FUNDING)	SECTOR	DISTRIBUTION OF FUND	
0.12% of FOB Value	Oil & Gas	PIAs MEAs	- 0.08% - 0.036%
		Administration Total	- 0.004% - **0.12%**

Source: Audit Analysis of records from FMoFB&NP.

Figure 1: System flowchart for Pre-shipment inspection of oil and gas export



Source: Export Guidelines for Oil and Gas

EXPLANATORY NOTES

The following are the system process of the Pre-Shipment inspection of Oil and Gas Export

1. Exporter collects, for completion, a set of NXP forms in six (6) copies from any bank of his choice in Nigeria where he will maintain an export domiciliary account.
2. The exporter returns the completed NXP forms to the bank within 5 five working days, prior to loading.
3. On receipt of the completed form, the bank shall assign number to it, register, endorse, retain original copy, send the remaining copies to PIAs within 3 working days, and send a photocopy to the exporter within 24 hours.
4. On receipt of copy of the NXP form, the PIA issues a Request for Information (RFI) form, Bill of Lading Declaration Form, and other relevant documents to the exporter. The purpose of the RFI form is to enable the PIA to coordinate with the exporter and schedule inspection date and time.
5. After receipt of the RFI and other relevant documents, the PIA shall schedule inspection within 48 hours and issue a Clean Certificate of Inspection (CCI) when satisfied in eight (8) copies to relevant stakeholder after Inspection with 72hours
6. Inspection by the PIA takes place at the oil/gas terminals with relevant Government Agencies.
7. The PIA then completes their respective section of the form NXP, send second copy to the CBN, retain a photocopy and forward the remaining four copies to the Nigeria Customs Service (NCS) with five days of export date.
8. After completing its section in the form NXP, the NCS retains the third copy and distribute the remaining three (3) copies to CBN, DPR and the Exporter.
9. Upon receipt of the sixth copy by the exporter will make photocopy and submit to the processing bank for update of its record.
10. The exporter then repatriate exports proceeds into their domiciliary account within 90 days of the Bill of Lading.

2.5. Stakeholders to the Scheme

In line with the Act and the Export Guidelines for Oil and Gas, the following are the relevant Stakeholders:

i **Federal Ministry of Finance, Budget and National Planning**
The Minister of Finance, Budget and National Planning is responsible for giving directives and issuing such guidelines as may be required, from time to time, for carrying into effect the objectives of the Act and shall lay each report submitted to him under the Act before the President.

ii **Central Bank of Nigeria (CBN)**
The CBN is the Chairman of the Technical Committee and provides secretarial service for the general administration of the NESS Scheme. It receives claims

from PIAs and MEAs, verifies claims of PIAs and MEAs from Monitors. It recommends claims received from PIAs and Monitors for payment. It prepares draft annual reports, confirms Export Expansion Grants (EEG) and monitors repatriation of export proceeds.

iii **Department of Petroleum Resources (DPR)**
The DPR is the regulator in the Oil and Gas industry in Nigeria. Section 19(a) of the Export Guidelines for Oil and Gas Export requires that "No export permit shall be processed by the DPR for any exporter that defaults in filling the form NXP and paying the required NESS levy." It is also a member of the Technical Committee and is expected to be present during Fiscalisation and Defiscalisation process. It participates along with the other members during the computation of export volume at Terminals prior to shipment. It is involved in determining the price used to arrive at the Free on Board (FOB) value of crude Oil and Gas to be exported.

iv **Nigeria National Petroleum Corporation (NNPC)**
The NNPC is a member of the Technical Committee. The Crude Oil Marketing Division (COMD) of NNPC is expected to be present during Fiscalisation and Defiscalisation process. It participates along with the other members during the computation of export volume at Terminals prior to shipment. It involves in pricing of crude Oil and Gas exports used in the computation of Free on Board (FOB) value.

v **Federal Ministry of Industry, Trade and Investment (FMoITI).**
The Ministry is a member of the Technical Committee. Through its Department of Weights and Measure ensure proper calibration of crude oil prior to the export in collaboration with inspecting agents.

vi **Nigeria Customs Service (NCS)**
The NCS is a member of the Technical Committee. It is expected to be present during the Fiscalisation and Defiscalisation processes for the purpose of computation of export volume and reconciliation of its data with that of the Terminal Operator and the DPR. The NCS is expected to submit to the Director, Trade and Exchange Department of the CBN on monthly basis, shipment copies of the NXP Form to cover a period of export transaction.

vii **Terminal Operator**
This is recognized as a member of Fiscalisation and Defiscalisation team. It informs the PIAs of all scheduled export and ensures necessary logistics are in place to enable the PIAs perform inspection at the export terminal.

viii **Pre-Shipment Inspection/Monitoring Agents**
These are Government appointed consultants for the purpose of ascertaining quality, quantity and advice on the fair value of the products exported and if satisfied, issue a Clean Certificate of Inspection (CCI) in respect of such products.

It participates in the entire Fiscalisation and Defiscalisation processes at the export terminals (Land based, Floating Production Storage and Off take (FPSO) and Floating Storage and Off take (FSO).

ix **Exporters**
These are the suppliers or sellers of crude oil and gas and related products out of Nigeria to different countries of the world.

2.6. Administrative Structure of the Nigerian Exports Supervision Scheme (NESS)

The Central Bank of Nigeria (CBN) as provided in Section 13 of the Act is charged with the Administration of the scheme, while the Technical Committee assists the CBN in line with Section 15 of the Act. The Technical Committee is known as NESS Technical Committee and the Membership is drawn from the following Organizations:

i. Central Bank of Nigeria (Chairman and Secretariat of the NESS Technical Committee);
ii. Federal Ministry of Finance Budget and National Planning;
iii. Federal Ministry of Industry, Trade and Investment;
iv. Ministry of Petroleum Resources (Inspectorate Division);
v. Federal Ministry of Agriculture & Rural Development;
vi. Nigeria Customs Service;
vii. Nigerian Export Promotion Council;
viii. Nigeria National Petroleum Corporation (NNPC); and
ix. National Agency for Food & Drug Administration and Control.

Figure 2: Structure of the Nigerian Export Supervision Scheme (NESS)

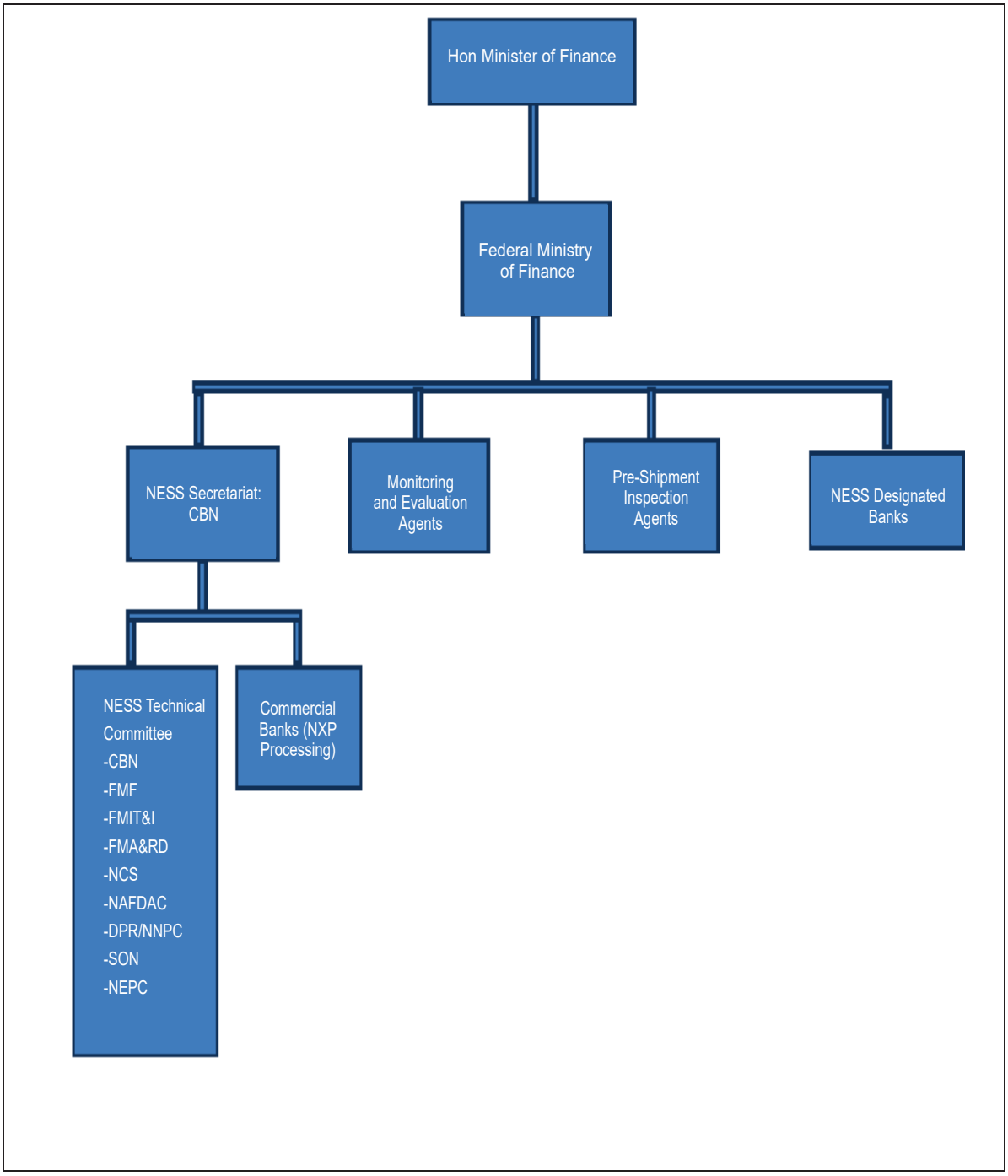


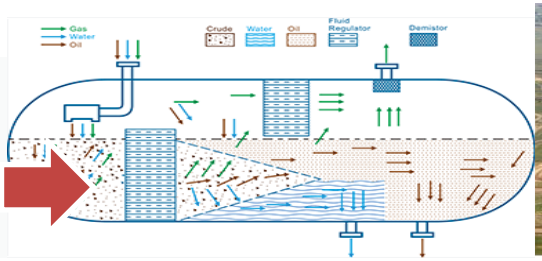
Figure 3(i): Crude Oil Export Flow Chart

(A) **(B)** **(C)**

(D)



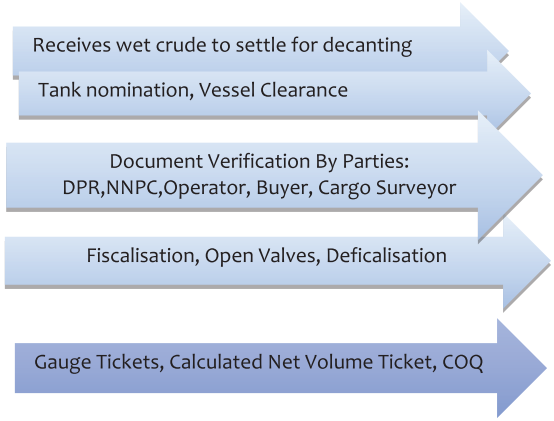
Crude Oil Flow from Wells



Test / Production Separators For
Treatment, Separation into Phase
Determine Production and meter
To terminal







(A) Crude Oil extraction from the oil well

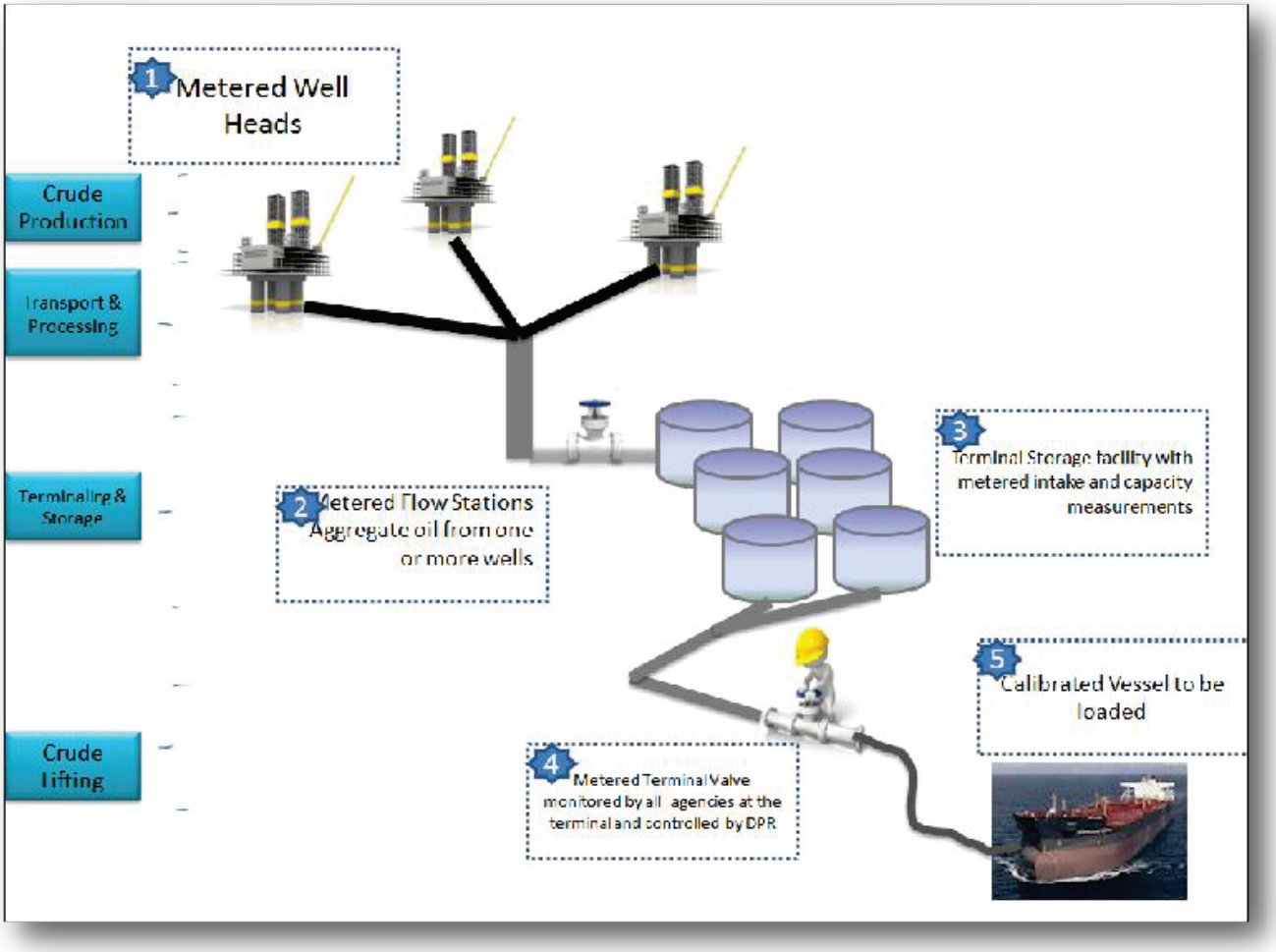
(B) |Separation and treatment of the Crude oil before being transported

to terminal

(C) Storage of the crude for decanting, tank nomination, vessel clearance, Document verification by relevant parties and issuance of Gauge Tickets, Calculated of net volume Ticket.

(D) Finally, the crude is loaded into a ship and exported.

Figure 3(ii): Crude Oil Export Flow Chart



CHAPTER THREE

AUDIT FINDINGS

3.1.1. Introduction

This chapter presents the findings of the audit. The findings focus on the extent to which the Federal Ministry of Finance, Budget and National Planning has effectively implemented Pre-Shipment Inspection and Monitoring of Oil and Gas exports in Nigeria.

3.2.1. Non-appointment of Pre-Shipment Inspectors and Monitors from July, 2015 to date.

Section 12(1) of the Pre-Shipment Inspection of Exports Act, 1996 stipulates "The President shall appoint such number of companies as inspecting agents to carry out any pre-shipment inspection required by or pursuant to this Act."

Audit review of Correspondence file of NESS at the Ministry and interviews with the Director, Home Finance Department and his staff revealed that the appointment of the existing service providers (PIAs and MEAs) was terminated by Mr. President, upon his assumption of office, with effect from 6th July, 2015. The service providers did not hand over site to the relevant Federal Government agents as expected. Consequently, the Ministry, on 27th March, 2017, wrote to the disengaged service providers, reminding them of their termination and requesting them to hand over the terminals to the relevant government agencies. Till date, no pre-shipment inspection or monitoring agent has been appointed by the President as required by the Act.

Audit analysis of the Minister's correspondences with the President vide letter ref. nos. HMFBNP/SH/NESS/09/2020 dated 28th September, 2020 revealed that the non-appointment of new PIAs and MEAs was as a result of the delay in the procurement process. It was noted that the Ministry commenced the process of procuring new PIAs and MEAs with the placement of advertisement in Punch, Daily Trust and Federal Tender Journal of 1st, 2nd and 8th February 2016, respectively. This process lasted till September, 2020 (four years after placement of advertisement). Further audit evaluation of the letter showed that the Minister sought and obtained Mr. President's approval on the 29th of September, 2020 for cancellation of the procurement process, citing numerous petitions and controversies with which the procurement process was flawed.

Consequently, the non-appointment of these Pre-Shipment Inspectors and Monitors especially as it relates to gas exports has denied the country records of the actual volume and FOB value of gas exports made during the audit period. This was confirmed in the 2016 – 2019 NESS Annual Reports made available by the NESS Secretariat, which contains only information relating to crude oil export, as shown in table 3.1 below.

Table 2: Crude oil export for the year 2016 to 2019 (Quantity/FOB)

YEAR	QUANTITY (BBL.)	FOB US$
2016	649,424,186.00	27,349,970,858.00
2017	677,555,453.00	35,664,852,783.46
2018	686,938,468.00	49,048,752,613.45
2019	733,057,906.00	47,880,229,184.38
Total	**2,746,976,013.00**	**159,943,805,439.29**

Source: NESS Annual reports 2016–2019

Ministry's Response

The Federal Ministry of Finance, Budget and National Planning (FMFB&NP) did not respond to this audit issue.

Auditor's Evaluation

No Auditor's evaluation, since there was no response from the Ministry on the above findings.

3.2.2. Appointment of three(3) Service Providers on stop-gap arrangement without Approval by the President

Section 44 of Public Procurement Act, 2007 states "Where a procuring entity wishes to procure services for its needs which are precise and ascertainable, (a) it shall solicit for expressions of interest or applications to pre-qualify to provide the services by publishing a notice to that effect in at least 2 national newspapers and the procurement journal." Also, section 12(1) of the Pre-Shipment Inspection of Exports Act, 1996, stipulates "The President shall appoint such number of companies as inspecting agents to carry out any pre-shipment inspection required by or pursuant to this Act."

However, audit review of PIAs and MEAs' Letters of Appointment and the Ministry's Consultants' file, revealed that, after the termination of the appointment of the PIAs and MEAs by the President in 2015, the Ministry embarked on a stop-gap arrangement, with the appointment, on 4th July, 2017, of two (2) Pre-Shipment Inspection Agents (PIAs) for crude oil exports on temporary basis, with effect from 5th July, 2017, and the appointment, on 12th of October, 2017, of one (1) Monitoring and Evaluation Agent (MEA) for crude oil exports.

In his response to the interview questions during the audit entry meeting, the Director, Home Finance stated that the Ministry appointed the three (3) service providers on stop-gap arrangement because "the nature of the oil and gas sector and the pre-shipment scheme allows for stop-gap arrangement, as the oil and gas terminals cannot be completely left unmanned"[9].

The appointment of the three (3) service providers on stop-gap arrangement is a violation of sections 44 and 12(1) of the Public Procurement Act, 2007, and the Pre-Shipment Inspection of Export Act, 1996.

Auditors' review of Office of the Accountant-General of the Federation's mandates for payment of Pre-Shipment Inspection Services on Nigerian export (Oil & Gas) provided to the audit team by the Ministry revealed that the sum of ₦54,899,286,005.70(Fifty four billion, eight hundred and ninety nine million, two hundred and eighty six thousand, five naira, seventy kobo) has been paid to the three (3) consultants from 2016 to 2020 as fees for their services, as detailed in Appendix 2.

Ministry's Response

On the 6th of July 2015, the contract of PIAs and MEAs for Crude Oil and Gas export were terminated based on government policy, and to aviod disruption of activities and chaos at the various Terminals with attendant negative effect on revenue generation, two (2) PIAs and one (1) MEA were allowed to continue operations, pending the appointment of new PIAs and MEAs and are still working on the basis of temporary engagement till date. Hence, no vacuum was created at the terminals and the country was not denied of data with respect to actual volume and FOB value of oil and gas export as submitted by the Office of the Auditor-General for the Federation.

Without any iota of doubt, the Ministry met all the condition when it embarked on the procurement process for the appointment of the Pre-shipment Inspection Agent (PIAs) and Monitoring & Evaluation Agent (MEAs) for Oil and Gas Exports in February, 2016 based on BPP's approved invitation for Expression of Interest(EOI) which was duly published in two national dailies (Punch and Daily Trust of 1st and 2nd February, 2016, respectively and the Federal Tender Journal of 8th February, 2016) soliciting Expression of Interest bids from competent and reputable consultant for the engagement as Pre-Shipment Inspectors and Monitors of Oil and Gas Exports. A total

[9]Minutes of Entry meeting held on the 21st of September, 2021 with the Director Home Finance at FMoFBNP.

of One hundred and Sixty-Six(166) companies expressed interest, but Sixty Seven (67) companies were pre-qualified out of which forty-nine (49) eventually passed Quality Based Selection(Technical Proposal), having scored 70% marks and The Bureau of Public Procurement in line with the provision of the Public Procurement Act 2007 reviewed the Ministry request for Due Process Certificate of "**No Objection"** for the engagement of pre-qualified consultants and further reduced the number of pre-qualified companies to twenty(20). See attached **Annex I.**

In the light of the above, it is pertinent to state that Section 22 of the Pre-shipment Act No. 10 of 1996 empowers the Minister of Finance to give directives and issue such guidelines as may be required , from time to time, for carrying into effect the objective of the Act, therefore the Minister acted in line with the powers conferred on her to approve the stop-gap arrangement to undertake Pre-shipment Inspection for Oil and Gas pending the engagement of new ones. This act by the Minister is not in any way a violation of Section 12(1) of the Pre-Shipment Inspection of Export Act, 1996 and Section 44 and 12(1) of the Procurement Act as presented in the Auditor-General for the Federation's performance audit report.

Auditor's Evaluation

Having gone through the response of the Ministry, wherein they alluded to the fact that Section 22 of the Pre-Shipment Act, empowered the Minister to give directives and issue such guidelines as may be required, from time to time, for carrying into effect the objectives of the Act. It is in our opinion that the provision of Section 12(1) of the Act did not envisage that the "directive" given by the Minister will include the appointment of three (3) PIAs and One (1) MEA on stop-gap basis from 2016 to date without the ratification of Mr. President.

Finally, S.40(1) (a-c) of Public Procurement Act requires that "Subject to the approval by the Bureau, a procuring entity may for reasons of economy and efficiency engage in procurement by means of restricted tendering if:

(a) the goods, works or services are available only from a limited number of suppliers or contractors;

(b) the time and cost required to examine and evaluate a large number of tenders is disproportionate to the value of the goods, works or services to be procured; or

(c) The procedure is used as an exception rather than norm"

3.2.3. Payments to PIAs and MEAs without Budgetary Appropriation

Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), provides "No moneys 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."

Auditors' review of Office of the Accountant-General of the Federation's mandates for payment of Pre-shipment Inspection Services on Nigerian export (Oil & Gas) for 2016

to 2020 revealed that the sum of ₦73,946,397,122.83 (Seventy three billion, nine hundred and forty six million, three hundred and ninety seven thousand, one hundred and twenty two naira eighty three kobo) was paid to eleven (11) PIAs and MEAs for inspection and monitoring of Oil and Gas exports existing before the termination of their appointment by the President in 2015,and part of who are currently engaged on stop-gap arrangement (see Appendix 3**)** without budgetary appropriation by the National Assembly.

Auditors' review of the Pre-Shipment Inspection of Export Act (PSIEA), 1996, revealed that Section 14(1) of the Act provides "There shall be established and maintained at the Central Bank a special account for the purpose of this Act." Similarly, Section 14(3) of the Act provides "All expenses relating to the remuneration, fees, and other charges payable to the inspecting agents shall be defrayed from the special account."
The payment of fees of the service providers without budgetary appropriation is a violation of the provisions of Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1990 (as amended).

Ministry's Response

Section 14 of the Pre-Shipment Act No. 10 of 1996 makes provision for the establishment and maintenance of an Account by the CBN called **"NESS POOL ACCOUNT"** for the purpose of funding the Pre-Shipment Inspection activities. Exporters of crude-oil exports are required to pay stipulated levies into the account, and all expense relating to the remuneration, fees and other charges payable to the inspection Agents are defrayed from the Account. It is important to clarify that NESS Pool Account is an Industry Fund established to finance the NESS Scheme. See attached **Annex II**

Auditor's Evaluation
Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1999 (as amended), provides that "No moneys 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."

It is a well-known fact that any other Law (including the Pre-Shipment Act No. 10 of 1996) which is inconsistent with the provisions of the Constitution shall to the extent of the inconsistency be void.

3.2.4. Crude Oil Export without completing the Nigeria Export Proceeds (NXP) Form

The preamble of Export Guidelines for Oil and Gas Export, 2017 states "Any person intending to export oil and gas and other related product out of Nigeria shall, in the first instance, process the Nigeria Export Proceeds (NXP) Form and any other form so prescribed through an authorized Dealer bank irrespective of the value and whether or not payment is involved".

Also, section 20(a) of Export Guidelines for Oil and Gas Export, provides, “All exporters shall ensure that export proceeds are repatriated and credited to their export domiciliary account within 90 days from the Bill of Lading date”
Section 20(c) of the Guidelines, further provide “it is the responsibility of Central Bank of Nigeria to monitor the repatriation of all export proceeds”

Audit review of the Annual reports of Pre-Shipment Agents (PIA) for the period revealed that some exporters of crude oil (see Appendix 4) exported without completing the required NXP form as stipulated. This was further confirmed from an interview conducted with the Pre-Shipment Inspection Agents (PIAs) in charge of the Oil and Gas Terminals.

Auditor’s review of annual reports of PIAs revealed that the PIAs, on monthly, quarterly, and annual basis, submitted their reports highlighting non-completion of NXP forms and the FOB value of such exports to the Central Bank of Nigeria (CBN), which is the head of NESS Secretariat and has the responsibility to monitor the repatriation of all export proceeds. However, auditors’ review of the NESS annual report from 2016 to 2019 did not reveal such non-compliance by exporters or corrective actions taken by the CBN to forestall reoccurrence. The non-completion of the NXP form and its attendant non-repatriation of export proceeds by exporters can, thus, be attributed to inadequate monitoring of the repatriation of export proceeds by the CBN.

Information obtained from the PIA revealed that during the audit period, a total of 17,877,705 barrels of crude oil valued at $1,020,969,281.12 (One billion, twenty million, nine hundred and sixty nine thousand, two hundred and eighty one dollars, twelve cents only) were exported without completion of the required NXP Forms(see Appendix 4).It is difficult to track the reparation of proceeds valued at $1,020,969, 281.12 in the absence of completed NXP Forms or repatriated beyond the 90 days Bill of Lading date as stipulated.

Ministry’s Response

Section 25(c) of the Export Guidelines for Oil and Gas Export stipulate sanction on non-repatriation of export proceeds thus “any exporter that defaults in the repatriation of export proceeds within the time specified in the CBN Foreign Manual shall be liable to a penalty of 1% of the outstanding export proceeds” of which CBN has been enforcing.

Auditor’s Evaluation

The Ministry did not adequately address the issue raised by the Auditor in her response. For instance, no documentary evidence was provided, showing how defaulters have been sanctioned by CBN for non-completion of NXP form and how the proceed of export totalling $1,020,969, 281.12 was or will be repatriated.

3.2.5. Non-payment of NESS Levy by Nigeria National Petroleum Corporation (NNPC)

Section 14(2) of Pre-Shipment Inspection of Export Act stipulate that “There shall be a special account established pursuant to subsection (1) of this section the levies payable by the exporter of goods on all oil and non-oil exports as may be approved in guidelines issued pursuant to this Act by the Federal Government, from time to time”
Section 7 of the Export Guidelines for Oil and Gas Export also stipulate that “The exporter shall be required to pay to a designated bank within thirty (30) days from the date of shipment the Nigeria Export Supervision Scheme (NESS) levy which is currently 0.12% of the F.O.B value of the exported crude oil/gas and related product”

Audit review of NESS Annual report as compiled by the Technical Committee on Pre-Shipment Inspection for the audit period revealed that Nigeria National Petroleum Corporation (NNPC) default in the payment of NESS levy. The report of 2016 indicated that the Corporation was indebted to the Scheme to the tune of ₦26,204,218,007.83 as at 30th June, 2015. The Corporation indebtedness increased to ₦31,215,478,925.36 as reported in 2017 NESS Annual report.

While 2018 report revealed a dropped to ₦27,682,859,799.32. In year 2019, it further dropped to ₦13,471,857,145.62.

Although NESS Annual report for 2020, was not made available to the audit team, but a review of NESS correspondence file maintained by FMoFB&NP, specifically a memo from CBN addressed to Honorable Minister of Finance, Budget and National Planning with Ref. Nos. TED/EXP/CON/NES/01/123 of 8th March, 2021, revealed that the Corporation’s level of indebtedness increased to the tune of ₦19, 289,911,020.56 (Nineteen billion, two hundred and eighty nine million, nine hundred and eleven thousand, and twenty naira, fifty six kobo only) being the reconciled value of its indebtedness to the Scheme.

From the forgoing, NNPC has not been consistent in the payment of NESS levy within thirty (30) days from the date of shipment as required by section 7 of the Export Guidelines. Further audit review indicated that the volume of exports made by the Corporation since it is a major exporter of Nigeria crude oil and also as a manager of the government investment in crude oil and gas sector account for the laid-back attitude towards payment of NESS levy.

Indebtedness on NESS levy payment by a major exporter of crude oil and gas means that substantial amount required in paying the Service Providers and funding the NESS Secretariat will not be available when needed. This is capable of negatively affecting the effectiveness of the Scheme.

Ministry's Response

It has been the norm that NNPC makes yearly appropriation for the settlement of NESS levy indebtedness in its yearly Budget in collaboration with National Petroleum Investment Services (NAPIMS). In addition, the Ministry had been in constant communication with NNPC yearly demanding the settlement of the outstanding indebtedness, in good time, to enable the NESS Technical Sub-Committee meet its obligations.

Also, at the time the audit team carried out their investigations on the NESS Scheme, the NESS Annual Report for the Year 2020 was still in process. The 2020 edition was received by the Ministry on the 22nd December, 2021 from the NESS Technical Committee's Secretariat of CBN. A copy is enclosed herewith as **Annex III.**

Auditor's Evaluation

The Ministry's response did not in any way justify the violation by NNPC, of Section 7 of the Export Guidelines for Oil and Gas Export which stipulate that "The exporter shall be required to pay to a designated bank within **thirty (30) days** from the date of shipment the Nigeria Export Supervision Scheme (NESS) levy, which is currently 0.12% of the F.O.B value of the exported crude oil/gas and related product".

3.2.6. Non-participation by some relevant government agencies in the Fiscalisation and Defiscalisation exercise

Section 11 of The Export Guidelines for Oil and Gas provides "Inspection shall take place at the oil/gas export terminals. The following Government agencies should be present during the exercise; Nigeria Custom Service (NCS), Department of Petroleum Resource (DPR), Weights and Measure Department(W&M) of Federal Ministry of Industry, Trade and Investment, the Crude Oil Marketing Division (COMD) of Nigeria National Petroleum Corporation and any other Government Agency that may be assigned."

Also, section 23(ii) of The Export Guidelines for Oil and Gas stipulates "All parties that participate in the Fiscalisation and Defiscalisation process shall reconcile their independent export volume data with the terminal Operator and the DPR"

Finally, section 23(iii) of The Export Guidelines for Oil and Gas state that "The Fiscalisation/ Defiscalisation team shall include the representatives of the following: Terminal Operator, DPR and independent cargo surveyors appointed by the buyer, NNPC-COMD, NCS, PIA/MEA and Weight and Measure Department of Federal Ministry of Industry, Trade and Investment".

In the course of reviewing the Annual Report of the Monitoring and Evaluation Agent (MEA) for the audit period under review, it was revealed that relevant government agency such as DPR, NCS, FMITI (Weight and Measures) and NNPC that were

supposed to participate in the Fiscalisation and Defiscalisation process were most times not present during the exercise. They are mostly not present at the ship side while in most cases, they are present at the shore side for inspection exercise. Presented below is the summary of their attendance at both Ship and Shore side as reported by the MEA.

Table 3: Summary of Annual Stakeholders Terminal Presence 2016-2020

YEAR	LOCATION	PIAs	MEA	DPR	NIG. CUSTOMS	WEIGHT & MEASURES	NNPC
2016	Ship	100%	100%	3.17%	0.52%	4.43%	0.26%
	Shore	100%	100%	100%	0%	15.90%	89.19%
2017	Ship	100%	100%	0%	0%	0%	0%
	Shore	100%	100%	100%	0%	0%	89.19%
2018	Ship	100%	100%	0%	0%	0%	0%
	Shore	100%	100%	100%	0%	0%	89.19%
2019	Ship	100%	100%	0%	0%	0%	0%
	Shore	100%	100%	100%	0%	0%	61.68%
2020	Ship	100%	100%	0%	0%	0%	0%
	Shore	100%	100%	100%	0%	0%	90.98%

Source: Audit team's compilation of Arlington Securities Nigeria Ltd Annual Audit Reports 2016-2020

From the above table 3, in year 2016, while the PIAs and MEA participated 100% at both Ship and Shore side, DPR had 3.17% presence at Ship, 100% presence at shore. NCS had a 0.52% and no presence at shore. Weight and Measure had 4.43% and 15.90% at Ship and Shore respectively, while NNPC had 0.26% presence at Ship and 89.19% presence at Shore. Also, in year 2017, the service providers had 100% presence at both sides, DPR had only 100% presence at shore, NNPC had 89.19% at Shore, NCS and Weight and Measure were not present at both sides.

For year 2018, 2019 and 2020, the service providers were 100% present at both Ship and Shore side, DPR was 100% present at Shore side for the 3 years, NNPC had 89.19%, 61.68% and 90.98% in year 2018, 2019 and 2020 respectively at Shore side with 0% ship side for both. NCS and weight and measure were all absent at both Ship and Shore for the year 2018, 2019 and 2020.Picture 1 below depicts the process of approaching ship side for Defiscalisation and reconciliation exercise.

Figure 4: Inspectors about to carry out Defiscalisation exercise and data reconciliation at Ship side



Source: Presentation made by Trobell Int. Nig. Ltd.

Consequently, the non-participation by relevant government agencies resulted in differences of Crude Oil Export volume data reported by NESS Annual reports and that reported by DPR in its Annual reports. See table below for details.

Table 4: Differences in Crude Oil Export Data between NESS and DPR

Years	Export volume as reported by NESS(bbl)	NESS Annual report Page ref. number	Export volume as reported by DPR(bbl)	DPR Annual report Page ref. number	Difference (bbl)
2016	649,424,186.00	Table 11 page 22 of 2017 NESS report	645,500,829.00	Page 52 of report	3,923,357.00
2017	677,555,453.00	Table 11 page 22 of 2017 NESS report	674,722,171.00	Page 55 of report	2,833,282.00
2018	686,938,468.00	Table 11 of NESS report	700,642,654.00	Page 61 of report	-13,704,186.00
2019	733,057,906.00	Table 11 page 17 of NESS report	-	DPR report not avaliable	

Source: NESS Annual reports (2016-2019) and DPR Annual report (2016-2018)

This difference in export volume will negatively affect the user of these statistics as they will not know the right figures to use in making their analysis. Also, this will result to ineffective monitoring of crude oil export and potential loss of oil revenue.

The Service providers revealed that it is difficult in getting DPR officials to attend the reconciliation meeting for the certification of quantity and also in carrying out the Defiscalization exercise at ship side.

Ministry's Response

It is the norm that at the time/process of loading, all concerned representatives of all the affected Agencies as indicated above are invited to the site of loading inclusive of the terminal Operators either at shore or offshore to monitor the process, without which no vessel would be loaded. This is because the quantity of crude-oil in the vessel has to be ascertained and reconciled by all representatives before the vessel are issued, to the captain of the vessel/ship before departure, this is to enable the agencies collectively ascertain the volume of crude oil and ensure smooth sail at international waterways as well as safe arrival to its destination point/port of discharge.

It is important to explain that all relevant representatives of the agencies manually hand dip and verify the empty space of the storage tank (this process is referred to as the Fiscalisation and Defiscalisation process) record their findings in a log book with the aid of a Human Machine Interface (HMI) and monitor the loading of crude oil into the vessel through the pumps. After every loading, the representative of DPR, Arlington, Supervisor (Exxon Mobil) dips a meter that is well calibrated into the vessel and work out the level of water in the vessel by all concerned including the shippers and manually calculate the quantity of the crude in the vessel independently and all the individual analysis must arrive at a common figure that must be agreed with the metered figure.

Therefore, Fiscalisation and Desficalisation is a collective assignment involving all concerned agencies.

Auditor's Evaluation

The response of the Ministry did not address the audit issue raised which clearly showed how relevant government agencies failed to participate in the Defiscalisation exercise at the Ship side, as shown in Table 3 - Summary of Annual Stakeholders Terminal Presence 2016-2020. The Ministry did not support their claim with relevant evidence, and thus could not debunk the audit findings.

3.2.7. Denial of Inspectors and Monitor access to Oil and Gas Terminals

Section 1 of Pre-Shipment Inspection of Export Act provides "As from the commencement of this Act, no goods to which this Act applies shall be exported from Nigeria unless an inspecting agent appointed pursuant to section 12 of this Act has issued in respect of the goods Clean Certificate of Inspection to overseas buyers of the goods"

Section 18(1) of Pre-Shipment Inspection of Export Act states "Any person who, at any time after the commencement of this Act, knowingly export goods liable to pre-shipment inspection under this Act otherwise than in compliance with the provisions of this Act is guilty of an offence under this Act"

The audit team noted during review of Inspection and Monitoring Agents' annual reports for 2016 – 2020, that Nigeria Liquefied Natural Gas Limited (NLNG) has continually refused PIAs and MEAs access to the Terminals under its control to carry out inspection and monitoring activities as required by the Act.

Also, the operators of Puffin (Floating Production Storage and Off take (FPSO)) Terminal located on Aje oil field and Zaffiro Terminal being operated by Mobil/NNPC, located outside Nigeria in the Equatorial Guinea under the inspection of Trobell International Nig. Ltd and Robinson International Energy Limited could not be accessed for inspection.

As at the time of audit, we were unable to receive justifiable reason(s) why these operators disallowed the Inspection Agent access to these Terminals. Information obtained from the annual reports revealed that, the Service Provider have forwarded these complain to the Ministry but were yet to be granted access to the Terminals.

Therefore, the activities at these Terminals in terms of quantity and quality of crude oil and gas exported could not be ascertained by the pre-shipment Inspection and Monitoring Agents. The situation also indicated that exports of Crude oil and Gas were made without Clean Certificate of Inspection in violation of the provision of Section 18(1) of the Act. Finally, in the absence of records of crude oil and Gas exports, it would create an avenue for non-repatriation of export proceeds which in turn will affect revenue generation.

Ministry's Response

NLNG is relying on some guarantees/assurance in the existing law that established NLNG which they posited made it difficult for the company to comply with the Pre-Shipment Inspection Act No. 10 of 1996. The Ministry in order to redress the situation, convened a meeting between the officials of Nigeria Liquefied Natural Gas (NLNG), the Pre-Shipment Agent (PIA) Monitoring and Evaluation Agent (MEA) on Gas exports, and representatives of the Ministry on the 13th October, 2021 and the issues presented, are being addressed by the Ministry.

However, it was revealed from the meeting, that the framework which guides investment portfolio of NLNG, which is referred to as "Investment Protection Law of 1989" cum MOU was signed with investors and the Federal Government of Nigeria, **Precludes** NLNG's revenue from taxes, which they claimed to had been affirmed by FMFB&NP, CBN and the Attorney General of the Federation with an additional clause to maintain status-quo. The interface is on-going.

Meanwhile, Aje Oil field is **not** located outside Nigeria in the Equatorial Guinea as reported by the Auditor-General for the Federation's Team but is located off shore Western Nigeria and Trobell Int'l Nigeria Limited has been accessing it by air via Lagos. Puffin is **not** a terminal but it is a name of a **storage vessel** positioned on top of Aje terminal under Trobell Int'l Nigeria Limited while Zaffiro terminal is the one located off shore Equatorial Guinea and under Robinson Int'l Energy Limited and the PIA had reported officially of its inability to access the terminal.

Auditor's Evaluation

While making her response, the Ministry did not provide any specific authority or any documentary evidence to support all her positions.

For the avoidance of doubt, the objective of the Scheme is (i) to inspect and certify the quality, quantity and price of Nigerian exports (ii) to ensure that Nigerian exports conform to international standards so as to be competitive in the international market and (iii) to provide statistical data on Nigerian's export activities to the relevant stakeholders.

The Scheme is not in any way an attempt to impose additional tax on revenue of exporters as stated by the Ministry.

Section 1 of Pre-Shipment Inspection of Export Act provides that "As from the commencement of this Act, no goods to which this Act applies shall be exported from Nigeria unless an inspecting agent appointed pursuant to section 12 of this Act has issued in respect of the goods Clean Certificate of Inspection to overseas buyers of the goods".

Section 18(1) of Pre-Shipment Inspection of Export Act further states that "Any person who, at any time after the commencement of this Act, knowingly export goods liable to pre-shipment inspection under this Act otherwise than in compliance with the provisions of this Act is guilty of an offence under this Act"

3.2.8. Non-usage of Metering Equipment at Export Terminal

Section 52(1) of Petroleum (Drilling & Production) Regulations of 1969 stipulates, "The licensee or lessee shall, with volume and gravity correction to sixty-degree Fahrenheit and by a method or methods approved by the Director of Petroleum Resources in writing, measure or weigh – (a) all crude oil won and saved and casing head petroleum spirit recovered from relevant area; and (b) all-natural gas sold".

Also, section 52(2) of the Regulation provides "The Director of Petroleum Resources or an officer authorised by him shall have the right to be present whenever any such measurement or weighing take place"

Interviews conducted with the Managing Directors and staff of PIAs and MEA revealed that Okono terminal does not have metering equipment since 2012. It also revealed that Ebok and Forcados terminals do not use the available metering equipment to measure quantity during Fiscalisation and Defiscalisation exercise.

During the interview session, it was revealed that these terminals, without measuring equipment were due to the inability of DPR, whose responsibility it is, did not live up to its responsibility, despite repeated complaints from the Inspection and Monitoring Agents.

Due to absence of measuring equipment at these terminals, it has resulted in delay lifting/sailing by the vessel, high rate of error resulting from manual metering, increased fatigue for monitors through tedious manual process of determining export quantity. Also, no independent verification of loading into vessel by DPR who rather adopt and relied on the figures arrived at by the Agents.

Ministry's Response

All terminal operators own the equipment needed at the terminal to measure quantity and quality of crude oil exports. While as a check on the exporters, the Pre-shipment Inspection Agents (PIAs) and Monitoring & Evaluation Agents (MEAs) who are appointed by the Federal Government, do have different types of relevant equipment to confirm the quality and quantity of the crude oil exports in their independent laboratories. Okono terminal is the only terminal that lacks metering equipment. However, the absence of metering equipment does not preclude determination of the quantity of crude-oil exported. It is calculated manually, but the process of manual calculation is a bit clumsy and laborious. In order to facilitate the process therefore, there is need to have modern metering equipment at the terminal, meanwhile Qua-Iboe and Forcados have metering equipment.

Auditor's Evaluation

The Ministry did not address the audit issue raised above. For instance, they did not state the action taken when they noticed that Okono terminal was not having metering equipment. Also, they did not state the steps taken to address the issues raised by the PIAs and MEAs as contained in their various Annual reports when they drew the attention of the Ministry to the non-usage of available metering equipment to measure quantity during Fiscalisation and Defiscalisation exercise at Ebok and Forcados terminals.

CHAPTER FOUR

AUDIT CONCLUSIONS

4.1 Introduction

This chapter gives the audit conclusion based on the findings presented in chapter three (3). The basis for drawing audit conclusion is the objective of the audit as presented in chapter one of this report.

4.2 General conclusion

The general conclusion of the Performance audit work is that the Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) has not fulfilled its mandate in ensuring the effective implementation of Pre-Shipment Inspection of Export of Crude Oil and Gas which is supposed to guarantee quality, quantity and price of Nigerian exports that conform to international standards and provide revenue assurance for Nigerians.

4.3. Specific conclusion

4.3.1. Non- appointment of Service Providers by the President since 2015 to date

Delay in the procurement process of Pre-Shipment Inspectors and Monitoring Agents since 2015 to date has resulted in the non-appointment of PIAs and MEAs by the President. This continuous non-appointment will have a disastrous effect of capital flight and commercial fraud resulting from non-repatriation of gas exports proceeds. This will eventually result in huge loss of revenue that could be used by Government to provide basic social amenities for Nigerians.

4.3.2. Appointment of Service Providers on stop gap basis without Approval by the President

The stop gap arrangement by FMFB&NP is a violation of Section 12(1) of the Pre-Shipment Inspection of Exports Act, 1996 and sections 44 and 12(1) of the Public Procurement Act, 2007. Although the Director, Home Finance justified the appointment of three (3) service providers stating that “the nature of oil and gas sector and the pre-shipment scheme allow for stop-gap arrangement, as the oil and gas terminals cannot be completely left unmanned”. As a result of this, the payment of ₦54,899,286,005.70(Fifty four billion, eight hundred and ninety-nine million, two hundred and eighty-six thousand, five naira, seventy kobo) was made to the three (3) consultants from 2016 to 2020.

4.3.3. Payments to Service Providers without Budgetary Appropriation

The provision of Section 80(4) of the Constitution of the Federal Republic of Nigeria, 1990 (as amended) was violated by FMoFB&NP in the payment of

₦73,946,397,122.83 (Seventy three billion, nine hundred and forty-six million, three hundred and ninety-seven thousand, one hundred and twenty two naira eighty three kobo) to eleven (11) PIAs and MEAs for inspection and monitoring of Oil and Gas without budgetary appropriation. Although, Section 14(1) and Section14 (3) of the Pre-Shipment Inspection of Exports empowers the Ministry to make payment without recourse to budgetary provisions.

4.3.4. Export of Crude Oil and Gas without completion of NXP form

Crude oil and gas worth $1,020,969,281.12(One billion, twenty million, nine hundred and sixty nine thousand, two hundred and eighty one dollars, twelve cents only)were exported without completion of the required NXP Forms. This could give rise to either non repatriation or delay in repatriation of export proceeds. The situation continued as at the time of audit because DPR has not been sanctioning defaulters as provided by section 19(a) of the guidelines, and inadequate monitoring by Trade and Exchange Department of Central Bank of Nigeria who has the mandate as stipulated in section 20(c) of the Export Guidelines to monitor Deposit Money Bank (DMB) of Exporters.

4.3.5. Non-payment of NESS Levy by NNPC

The Nigeria National Petroleum Cooperation (NNPC) has consistently defaulted in the payment of NESS levy due. As at the time of the audit, the Cooperation is owing the sum of ₦19, 289,911,020.56(Nineteen billion, two hundred and eighty-nine million, nine hundred and eleven thousand twenty-naira, fifty-six kobo only). This is capable of affecting the effective implementation of Pre–Shipment Inspection and Monitoring if not promptly checked.

4.3.6. Non-participation by relevant Government Agencies in the Fiscalisation and Defiscalisation exercise

The absence of relevant government agencies at both shore and ship side for the purpose of ascertaining quality and quantity of crude oil and gas exports is a dereliction of duty as provided in the Act and which was further reinforced in the guidelines. These agencies are supposed to regulate activities at Terminals and protect the interest of government among other stakeholders but relinquish their duties to Service Providers. The aftermath of their inconsistencies will result in loss of revenue to government.

4.3.7. Denial of Inspectors and Monitor access to Oil and Gas Terminals

The quantity of crude oil and gas presented to the audit team were without data from exports of Gas made by NLNG, Puffin and Zaffiro Terminals from 2016 to 2020, since they were not accessable for inspection and monitoring. This could lead to continuous loss of Gas revenue to government.

4.3.8. Non-usage of Metering Equipment at some Export Terminal

Measuring equipment meant to guarantee accuracy of quantity and sample collection for quality testing is either not available or used at terminals because DPR as a regulatory authority has not provided and enforced its usage were available. The manual method of arriving at quantity and sample collection is prone to error and could lead to inaccurate records as well as loss of revenue to government.

CHAPTER FIVE

AUDIT RECOMMENDATIONS

5.1. Introduction

In view of the findings and conclusions above, the following are hereby recommended for the effective and efficient implementation of Pre-shipment inspection and Monitoring of Crude Oil and Gas exports.

5.2.1. Specific recommendations

5.2.2. The Federal Ministry of Finance, Budget and National Planning (FMoFB&NP) should institute the process of transparently procuring new Service Providers for effective pre-shipment inspection and monitoring of Crude Oil and Gas export in over thirty-two (32) export terminals in Nigeria.

5.2.3. The FMoFB&NP should ensure that all appointments of Pre-Shipment Inspectors and Monitors currently on stop-gap arrangement are approved by the President.

5.2.4. The FMoFB&NP should propose amendment to Section 14 of Pre-Shipment Inspection of Export Act, 1996 to conform with the requirement of Section 80(4) of the Federal Republic of Nigeria, 1990 (as amended) as any payment to Service Providers on behalf of government outside appropriation is appropriately classified as an extra-budgetary expenditure.

5.2.5. To checkmate the non-completion of NXP forms by exporters of Crude Oil and Gas, the:

i. Trade and Exchange Department of Central Bank of Nigeria should ensure adequate monitoring of Deposit Money Bank (DMB) of Exporters, ensuring that the DMBs provide it (CBN) with reports on Exporters' compliance or otherwise within 90 days' rule on repatriation of export proceeds.

ii. CBN should fully enforce the automation of Form "NXP" on its Trade Monitoring System (TMS) and set up modalities to ensure the recovery of $1,020,969,281.12(One billion, twenty million, nine hundred and sixty-nine thousand, two hundred and eighty-one dollars, twelve cents only), being value of export without completion of the required NXP Forms from 2016 – 2020, as detailed in Appendix 4.

iii. Nigerian Upstream Petroleum Regulatory Commission (NUPRC), which has recently subsumed DPR, should deny any exporter that defaults in filling the form NXP export permit, as prescribed by the Export Guidelines.

5.2.6. The FMoFB&NP through the NESS Secretariat should ensure the prompt payment of NESS Levy within thirty (30) day by Nigeria National Petroleum Cooperation (NNPC) and other exporter by imposing appropriate sanctions for delay payment.

5.2.7. The Management of Nigerian Upstream Petroleum Regulatory Commission, Nigeria Custom Service, Federal Ministry of Industry, Trade and investment and Nigeria National Petroleum Cooperation, should ensure that its representatives at the various terminal across the country, participate in the Fiscalisation and Defiscalisation process at Shore side and Ship side and produce evidence of participation on a monthly, quarterly and annual basis. Also, there should be proper reconciliation among stakeholders for Crude Oil Export volume data before publication.

5.2.8. FMoFB&NP should:

i. Ensure that all operators of Oil and Gas terminals, including NLNG, Puffin and Zaffiro, provide PIAs and MEAs unrestricted access to their various terminals and

ii. Report to relevant authorities where access is not granted for appropriate sanction of the defaulters.

5.2.9. The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) should as a matter of urgency, ensure the provision of functional modern metering equipment at Okono, Ebok and Forcados terminals and all other export terminals across the country with manual or obsolete metering equipment and enforce the effective and efficient usage of these equipment by operators.

APPENDIX 1: AUDIT DESIGN MATRIX

Audit question and sub-questions *What we want to know*	**Audit criteria** *The standards we measure evidence against*	**Data collection and analysis**			**Anticipated findings** *The problems or shortcomings we expect to find*	**Risks to the execution** *What can go wrong?*
		Audit evidence needed *The evidence that will answer the question*	**Methods for data collection** *How we are going to get the evidence*	**Methods for analyses** *What we will we do with it once we get it*		
FOCUS AREA 1: OBSERVANCE OF DUE PROCESS IN THE APPOINTMENT OF PIAS AND MEAS TO ASCERTAIN IF FMOF FOLLOWED DUE PROCESS IN THE APPOINTMENT OF PRE-SHIPMENT INSPECTION AGENTS (PIAS) AND MONITORING AND EVALUATION AGENTS (MEAS).						
• Is the appointment of PIAs and MEAs by the President done in line with the requirement of Public Procurement Act 2007? • Is the appointment of PIAs and MEAs by the President done in line with the requirement of Public Procurement Act 2007 Pre-shipment Inspection of Export Act of 1996? • Are there mechanism in place to ensure that competent PIAs and MEAs are appointed?	• Pre-shipment Inspection of Export Act of 1996 • Public Procurement Act of 2007	• Testimonial evidence (interviews and questionnaires • Correspondence file on Nigeria Export Supervision Scheme • Reports of Pre-Shipment Inspectors and Monitors	• Document review. • Testimonies (interviews) from PIA, MEA and relevant government agency • Inspection visit of operational office of the PIAs/MEA to determine the equipment available in their respective laboratory are adequate.	Compile, analyze and summarize information to describe process, criteria, and guidelines for the appointment PIAs/MEA.	• Non appointment of Pre-Shipment Inspection Agents and Monitors. • Violation of Public Procurement Act (2007) in the Engagement of PIAs and MEAs on Stop – Gap basis. • Payments to PIAs and MEAs without Budgetary Appropriation	• Review of document will be limited to available • Granting access to PIAs/MEA by FMoFB&NP.

FOCUS AREA 2: EXPORTERS COMPLIANCE WITH THE PRE-SHIPMENT INSPECTION OF EXPORT ACT TO ASSESS THE EXTENT TO WHICH EXPORTERS OF OIL AND GAS PRODUCTS COMPLY WITH THE PROVISIONS OF PRE-SHIPMENT INSPECTION ACT						
• What are the controls in place to ensure full and timely repatriation of Oil and Gas export proceeds? • How effective are sanctions for non-repatriation of export proceeds? • To what extent do Exporters of Oil and Gas products comply with the provision of the Act as it relates to Inspection and Monitoring? • Do Exporters of Oil and Gas products make payments of NESS Levy as stipulated by the Act?	• Pre-shipment Inspection of Export Act of 1996 • Export Guidelines for Oil and Gas	• Testimonial evidence (interviews and questionnaires • Report of Pre-Shipment Inspectors and Monitors • Correspondence file on Nigeria Export Supervision Scheme • Pre-shipment Inspection of Export Act of 1996 • Export Guidelines for Oil and Gas	• Document review. • Testimonies (interviews) from PIA, MEA and relevant government agency	• Compile, analyze and summarize information to describe process, criteria and guidelines	• Crude Oil export being made without completing the Nigeria Export Proceeds(NXP) Form • Non-payment of NESS Levy by some exporters • Non-compliance with Pre-Shipment Act by some exporters • Incomplete documentation for export of Crude Oil and Gas.	• Our document review will be limited to the documents available • Also the level of Corporation given to the audit team in FMoFB&NP will be a major factor

FOCUS AREA 3: ACCURACY AND USE OF MEASUREMENT EQUIPMENTS

ASSESS TO WHAT EXTENT CRUDE OIL AND GAS EXPORTS REPORTED REFLECT THE ACTUAL QUANTITY EXPORTED

• How effective are the measures in place to ensure that measuring equipment are available at export terminals? • How effective is the use of metering equipment for Oil and Gas exports?	• Petroleum (Drilling & Production) Regulations of 1969 • Pre-shipment Inspection of Export Act of 1996 • Export Guidelines for Oil and Gas	• Testimonial evidence (interviews and questionnaires • Annual report from the Technical Committee • Reports of Pre-Shipment Inspectors and Monitors • Correspondence file between CBN and FMOF, DPR, FMIT&I,NCS,NNPC • Review the log book for crude oil exports at Terminal	• Document review. • Testimonies (interviews) from Terminal Operators, PIA, MEA and relevant government agency • Inspection visit to Export Terminals to observe the process of crude oil lifting.	Compile, observe analyze and summarize information obtained from documentary evidence and physical inspection	• Possibility of not using or non-availability of measuring equipment.	• The level of Corporation given to the audit team in FMoFB&NP will be a major factor. • Restriction arising from COVID 19 protocols access to the Terminals will also be a key factor

FOCUS AREA 4: COLLABORATION BETWEEN STAKEHOLDERS TO ASSESS WHETHER THERE ARE ADEQUATE COLLABORATION BETWEEN STAKEHOLDERS						
• Is there adequate collaboration among relevant government agents and the appointed PIAs/MEAs? • To what extent are the relevant government agents participating in the Fiscalisation/Defiscalisation exercise? • What are the challenges militating against adequate collaboration among relevant government agents and the appointed PIAs/MEAs in the execution of the Scheme?	• Pre-shipment Inspection of Export Act of 1996 • Export Guidelines for Oil and Gas	• Testimonial evidence (interviews and questionnaires from Stakeholders) • Report of Technical Committee and report of Pre-Shipment Inspectors and Monitors	• Review of Technical Committee report and report from PIAs/MEAs. • Testimonies (interviews) from PIA, MEA and relevant government agency	Compile, analyze and summarize information obtained from document review, Interviews of Stakeholders.	• Non participation by some relevant government agency in the Fiscalisation and Defiscalisation process.	• Our document review will be limited to the documents available • Also the level of Corporation given to the audit team in FMoFB&NP will be a major factor • Restriction arising from COVID 19 protocols access to the Terminals will also be a key factor

APPENDIX 2: SCHEDULE OF PAYMENTS TO PRE-SHIPMENT INSPECTION AGENTS AND MONITORING/ EVALUATION AGENT ENGAGED ON STOP-GAP ARRANGEMENT

S/NO	SERVICE PROVIDERS	2016	2017	2018	2019	2020	TOTAL
		₦	₦	₦	₦	₦	₦
1	ROBINSON INT'L ENERGY LTD	404,585,518.69	765,920,781.15	5,265,903,359.66	5,917,909,269.89	3,046,064,097.98	**15,400,383,027.37**
2	TROBELL INT'L LTD	634,565,919.30	1,240,264,774.98	6,720,127,059.73	8,177,989,228.50	3,803,680,103.23	**20,576,627,085.74**
3	ARLINGTON SERVITAS LTD	1,012,733,128.00	1,227,773,484.28	6,244,996,074.99	6,912,595,873.86	3,524,177,331.46	**18,922,275,892.59**
	TOTAL	**2,051,884,565.99**	**3,233,959,040.41**	**18,231,026,494.38**	**21,008,494,372.25**	**10,373,921,532.67**	**54,899,286,005.70**

APPENDIX 3: SCHEDULE OF PAYMENTS WITHOUT BUDGETARY APPROPRIATION TO PRE-SHIPMENT INSPECTION AGENTS AND MONITORING/ EVALUATION AGENTS FROM 2016-2020

S/NO	SERVICE PROVIDERS	2016	2017	2018	2019	2020	TOTAL
		₦	₦	₦	₦	₦	₦
1	COBALT SERVICES INT'L LTD	350,539,302.57	NIL	NIL	NIL	NIL	**350,539,302.57**
2	GLOBAL SCANSYSTEMS LTD	NIL	250,000,000.00	1,416,463,509.10	786,087,673.52	NIL	**2,452,551,182.62**
3	JBIS INTEGRATED RESOURCES LTD	1,298,216,962.35	1,219,689,455.49	2,671,123,595.58	2,914,328,692.32	NIL	**8,103,358,705.74**
4	ROBINSON INT'L ENERGY LTD	404,585,518.69	765,920,781.15	5,265,903,359.66	5,917,909,269.89	3,046,064,097.98	**15,400,383,027.37**
5	GULF INSPECTION SERVICES LTD	88,257,807.43	NIL	18,260,549.04	40,032,229.85	NIL	**146,550,586.32**
6	TROBELL INT'L LTD	634,565,919.30	1,240,264,774.98	6,720,127,059.73	8,177,989,228.50	3,803,680,103.23	**20,576,627,085.74**
7	CANDID OIL SERVICES LTD	502,959,812.78	787,629,146.60	326,010,395.46	386,116,436.17	354,779,637.25	**2,357,495,428.26**
8	SWEDE CONTROL INTERTEK LTD	106,935,726.28	1,321,852,344.87	981,373,313.49	688,852,933.61	NIL	**3,099,014,318.25**
9	ARLINGTON SERVITAS LTD	1,012,733,128.00	1,227,773,484.28	6,244,996,074.99	6,912,595,873.86	3,524,177,331.46	**18,922,275,892.59**
10	BADGE INT'L					NIL	

	SERVICES LTD	8,812,997.91	109,492,608.10	604,424,250.31	1,052,861,395.21		**1,775,591,251.53**
11	**Q&Q CONTROL PSI NIG. LTD**	495,552,533.64	174,113,052.50	92,344,755.70	NIL	NIL	**762,010,341.84**
	TOTAL	**4,903,159,708.95**	**7,096,735,647.97**	**24,341,026,863.06**	**26,876,773,732.93**	**10,728,701,169.92**	**73,946,397,122.83**

APPENDIX 4: YEARLY CRUDE OIL EXPORT WITHOUT COMPLETION OFNXP FORMS FROM 2016 - 2020

YEARLY CRUDE OIL EXPORT WITHOUT NXP FROM 2016 - 2020					
PIA	**S/N**	**EXPORTER**	**BILL OF LADDING DATE**	**QTY. IN BARREL**	**FOB VALUE IN (US$)**
ROBINSON INT'L ENERGY LIMITED	1	GOLDEN COAST MARITIME INC	2018	59,249.00	4,672,435.39
	2	NNPC	2019	2,417,585.00	129,387,386.56
	3	SERVICES LTD CESL- JUDICIAL SALE	2019	380,691.00	23,277,731.89
	4	TOTAL E&P	2019	1,897,880.00	120,102,112.48
	5	NNPC	2020	1,372,324.00	108,562,147.96
TROBELL INT'L NIGERIA LIMITED	6	NETWORK E & P	2016	393,320.00	19,668,944.52
	7	FRONTIER OIL	2016	16,860.00	742,497.54
	8	NDPR	2016	560,000.00	25,972,040.00
	9	NEWCROSS E & P	2016	900,000.00	19,239,875.48
	10	ATLAS	2016	382,845.00	2,437,065.97
	11	SHEBAH E & P	2016	48,494.00	43,212,982.50
	12	NETWORK E & P	2017	335,214.00	18,005,014.12
	13	FRONTIER OIL	2017	12,915.00	729,895.71
	14	NDPR	2017	940,875.00	48,240,329.88

	15	ATLAS	2017	220,000.00	11,514,360.00
	16	SHEBAH E & P	2017	55,409.00	2,899,996.24
	17	NEWCROSS E & P	2017	810,500.00	43,529,475.00
	18	WALTERSMITH PETROMAN OIL	2017	205,000.00	11,889,955.00
	19	CONSOLIDATED OIL	2017	112,000.00	5,691,350.00
	20	NECONDE ENERGY	2017	651,651.00	32,570,820.28
	21	CONTINENTAL OIL AND GAS	2017	1,967,670.00	95,523,789.22
	22	BELEMA OIL	2018	300,000.00	20,440,650.00
	23	NNPC (SOCAR HYDE)	2018	229,502.00	18,294,522.43
	24	ENAGEED RESOURCE (SAHARA E.R.)	2018	75,000.00	5,735,250.00
	25	FHN 26	2018	220,891.00	11,521,232.78
	26	NNPC (VITOL SA)	2019	1,141,211.00	76,387,695.96
	27	FIRST HYDROCARBON	2019	70,000.00	4,275,075.00
	28	SUMMIT OIL	2019	20,000.00	1,321,960.00
	29	NNPC (SAHARA E.R.)	2019	943,662.00	58,102,213.00
	30	FHN 26	2019	135,000.00	8,330,985.00
	31	CONSOLIDATED OIL	2020	53,000.00	1,710,426.00
	32	NNPC (BP OIL INT'L/AYM SHAFA)	2020	948,957.00	46,979,065.24
		TOTAL		**17,877,705.00**	**1,020,969,281.15**