

## PETROLEUM EQUALISATION FUND (MANAGEMENT) BOARD

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October 2013

## Table of Contents

<b>1</b>	<b>Introduction .....</b>	<b>3</b>
1.1	Historical Background .....	3
1.2	Mission Statement.....	3
1.3	Vision.....	4
1.4	Service Provision and Delivery.....	4
<b>2</b>	<b>Financial Flows .....</b>	<b>12</b>
2.1	Summary of Income and Expenditure 2007 to 2012.....	12
2.2	Income from 2007 to 2011 .....	14
2.3	Bridging Allowance .....	15
2.4	National Transportation Average (NTA).....	16
2.5	Statutory Allocation .....	17
2.6	Interest Received.....	18
2.7	Grant from Government.....	18
2.8	Other Receipts.....	18
2.9	Pioneer Consumer Car Finance Scheme (PCCF).....	19
<b>3</b>	<b>Expenditure .....</b>	<b>19</b>
3.1	Summary .....	19
3.2	Petroleum Equalisation Claims .....	20
3.3	Staff Expenses and Benefits.....	22
3.4	Administrative Expenses.....	23
<b>4.</b>	<b>Observations and Recommendations.....</b>	<b>24</b>
4.1	Observations .....	24
4.2	Recommendations.....	24

### List of tables

Table 1: Approved Freight Rates - Equalization .....	11
Table 2: Income 2007-2011 .....	12
Table 5: Interest Received 2007 - 2011 .....	18
Table 6: Other Revenue Receipts .....	18
Table 7: Summary of Expenditure .....	19
Table 8: Total Claims Paid 2007 - 2011 .....	20
Table 9: Capital Payments .....	21
Table 10: Staff Expenses and Benefits .....	22
Table 11: Administrative Expenses.....	23

# 1 Introduction

## 1.1 Historical Background

The Petroleum Equalisation fund Management Board is a scheduled Parastatal of the Ministry of Petroleum Resources, established by Decree No.9 of 1975 (as amended by Decree No. 32 of 1989 ), mainly to administer Uniform Prices of Petroleum products throughout the country . This is achieved by reimbursing a marketer's transportation differentials for petroleum products movement from depots to their sales outlets (filling station), in order to ensure that products are sold at uniform pump price throughout the country. The source of the Fund is from principally the net surplus revenue recovered from Oil Marketing Companies.

The Board has a Head Office in Abuja, operational Offices in six (6) zones of the country (Lagos, Kaduna, Enugu, Gombe, Port Harcourt and Ibadan) and Depot Offices in twenty-one (21) NNPC/PPMC depots and 55 private depot facilities nationwide. It is headed by the Executive Secretary who is the Chief Administrative Officer, responsible for the day to day operations of the fund.

In 1979, Government, conscious of the fact that petroleum products supply did not reach the remotest parts of the country encouraged Major Marketers to open filling stations in those areas.

## 1.2 Mission Statement

To the Public

To partner with other stakeholders in ensuring equitable and effective distribution of petroleum products nationwide at government approved prices.

To Marketers

To be a prime and transparent organization for prompt reimbursement of marketers' transportation claims.

To Employees

A place of pride to work; a conducive work environment where hard work, honesty and transparency are rewarded.

To the State

A responsible, accountable and efficient parastatal facilitating the distribution of petroleum products nationwide at government approved prices.

The Board's core values of service, Dedication, Integrity, Accountability and Corporate Social Responsibility are enshrined in its mission to stakeholders.

### 1.3 Vision

To become an efficient, technology-driven, stakeholder-oriented and pro-active partner in facilitating the transportation and distribution of Petroleum Products nation-wide.

### 1.4 Service Provision and Delivery

In broad terms, the Board performs two (2) basic functions, namely:

- The Administration of price equalization scheme to ensure the sustenance of Government Policy of Uniform Pump Prices for petroleum products nation- wide;
- The administration of bridging payment scheme to complement the Nigeria National Petroleum Companies pipeline distribution network of petroleum products to all the depot areas nation-wide, during breakdown/maintenance of local refineries and or pipeline breaks/vandalisation.
- The Administration of the Inter district Scheme.

#### 1.4.1 The Scheme Explained:

- The consumer pays the in – built transportation cost per litre irrespective of where the product is purchased. The amount is not static because of government policy.
- Transportation cost is related in distance travelled between the points of lifting the products (Depots) and the points of sale (filling stations)
- The marketer serves as an agent of the PEF (M) B in collecting the allowances built – into the price structure, and transfers same to the Board for equalization or bridging purposes. The allowance collected for bridging is about 80% of the amount collected by the marketers. This also changes from time to time.
- Bridging Fund Scheme:
- Bridging is the movement of petroleum products by long distance road haulage (i.e. above 450 kilometres) from a depot/refinery to another depot experiencing scarcity.
- Bridging is resorted to only when there is a pipelines break or where the refinery feeding the depot(s) is experiencing products scarcity or is shut for Turn Around Maintenance (TAM)
- The Inter district scheme seeks to reimburse marketers' that move products from one district depot to another under 450km which does not qualify for bridging support.

#### 1.4.2 Penalty for Non Payment of Allowance:

- The Board from time to time, by notice served by registered post on the oil marketing company concerned, specifies the date on which any net surplus revenue due from that oil marketing company shall be paid to the Board.
- If any sum is not paid within twenty-one days of the specified date, a sum equal to ten per centum of the amount on unpaid shall be added for each month or part of a month after the date on which payment should have been done.

- The Board may, if it thinks fit, remit in whole or in part any penalty imposed under this section.

The enabling Act establishing the board has provisions for penalties of various levels which is represented below:

“Any person who fails to comply with any requirement made by the Secretary under section 10 of this Act, shall be guilty of an offence and liable on conviction to a fine of ₦50,000.

Any person who-

Knowingly or recklessly furnishes in pursuance of any requirement made under section 10 of this Act, any return or other information which is false in any material; or

Willfully makes a false entry in any record required to be produced under that section with intent to deceive, or makes use of any such entry which he knows to be false, shall be guilty of an offence and liable on conviction to a fine of ₦50,000 or to imprisonment for five years.

Where an offence under this Act by a body corporate is proved to have been committed with the consent or connivance of, or to be attributed to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate (or any person purporting to act in any such capacity) he as well as the body corporate shall be deemed to be guilty of the offence and may be proceeded against and punished accordingly.”

### 1.4.3 PEF(M)B Standards and Targets

- PEF staff must be at the depots to sight products and stamp marketers documents at all times during official working hours.
- Collection of National Transportation Average (NTA) allowance and issuing of receipts for same to marketers on daily basis.
- Collection and acknowledgement of marketers Claims within 24hours
- Claims to be scrutinized by the depot staff and forwarded to the head office within 5 working days.
- All Claims received at the depots for processing will be ready for payment to marketers at the depot within 37 working days.
- Bridged products must be delivered within stipulated time limit (presently set at 10days).
- Marketers are to report any breakdown of vehicle immediately to Petroleum Equalisation Fund (management) Board receiving depots within the stipulated time limit (48hours).
- Marketers should make all necessary payments to Petroleum Equalisation Fund (Management) Board and depot owners. There should therefore be evidence of such payments including National Transportation Average (NTA) allowance.
- Evidence of delivery of correct volume of products lifted.

- There must be evidence of Petroleum Equalisation Fund (management) Board loading and receiving depot stamps and signatures.
- There must be evidence of stamps and signatures of other agencies at the receiving depot especially Pipeline Products Marketing Company (PPMC) and Department of Petroleum Resources (DPR.)

**Orderly presentation of Claims in the following way:**

- Application on original letter headed paper indicating type of Claim with amount being Claimed and duly signed.
- Each meter ticket from Pipeline Products Marketing Company depots should have the following attachments:

(a) Receipt for product payment. (b) DO5 (c) Bridging approval from Pipeline Products Marketing Company (d) Bridging Note also from Company.

Out return report on original letter headed paper duly signed by the particular station manager confirming that products and volume were actually delivered to that station.

Submission of Daily products distribution schedule.

Evidence of payment of National Transportation Average allowance by marketers who are in the contribution zones.

Marketers making Bridging /NTA or Inter-district/ NTA Claims should present them in different files but must be submitted at the same time.

Depot and Petroleum Products Marketers Association and Major Marketer have to submit detailed and correct addresses of destination of all lifted products.

Claims must be submitted regularly but not later than 6 months from the date of delivery.

All Independent Petroleum Marketers Association of Nigeria (IPMAN) Claims must be submitted through our depot representatives.

Any Marketers that attempts to supply misleading information or engage in unwholesome activities etc shall be sanctioned in accordance with the extant rules of the Boards enabling Act.

Major Oil/Depot And Petroleum Products Marketers Association

All reconciled Claims of Major marketers are to be paid within 7 working days subject to availability of funds.

Major/DAPPMA marketers to submit information and data concerning all local lifting for the purpose of National Transportation Allowance.

Major/DAPPMA to provide timely statistics /documents on a monthly basis to avoid delays in reconciliation of Claims and Contributions.

Majors/ DAPPMA to provide detailed and accurate information on products directly imported by them to enable us collect Bridging allowance.

Majors to send their reconciliation officers to PEF not later than 7 days on receipt of such invitation.

Majors are to sign and return reconciliation certificates within 7 days of receipt.

#### **1.4.4 Stakeholders' Participation**

##### Pipeline and Products Marketing Company (PPMC)

- In order to ensure that PEF meets its obligations of reimbursing marketers, PPMC is required to remit, on monthly basis, PEF Bridging allowance product collected from marketers in respect of all white products.
- Create a conducive working environment for our Depot staff at all its depots.
- Avail to the Board and our staff any relevant information/data required for operation.
- PPMC depot managers are to cooperate with PEF in the area of collection of NTA Allowance.
- To confirm by stamping and signing all freight documents of loaded and received products.
- Make available to PEF staff daily distribution list/schedule.
- Issue Bridging Approvals and Bridging Notes from their depots.
- Continued Participation of PPMC staff in the Bridging and NTA/Inter-district joint Claims verification committees.

##### Department Of Petroleum Resources (DPR)

- Make available all relevant data and operational information on marketers.
- To confirm products lifted and received at the depots by stamping and signing Freight documents.
- To submit the list of licensed filling stations and their locations. They should also make available to the Board on regular basis updated data of newly registered outlets.
- To ensure that products are not diverted but are sold at properly designated stations.
- Ensure that products are sold at approved rates.

##### National Association of Road Transport Owners (NARTO)

- Only Federal Roads Safety Commission (FRSC) number plates would be acceptable for products transportation.
- All tankers must carry very bold inscriptions of their number plates on both sides of the truck.
- To allow PEF staff verify the Chassis/Engine number of vehicles whenever there is doubt.
- To report to PEF management, any absentee PEF staff at the depot.

##### Petroleum Products Pricing And Regulatory Agency (PPPRA)

- To immediately make available to PEF any price changes in form of templates.
- To always demand the proof of payment of PEF Allowances (Bridging and NTA) as a condition for reimbursement under the PSF Scheme.

Depot and Petroleum Products Marketers Association, Independent Marketers Association of Nigeria, Major Oil Marketers Association of Nigeria, National Association of Roads Transport Owners (DAPPMA/IPMAN/MOMAN/NARTO)

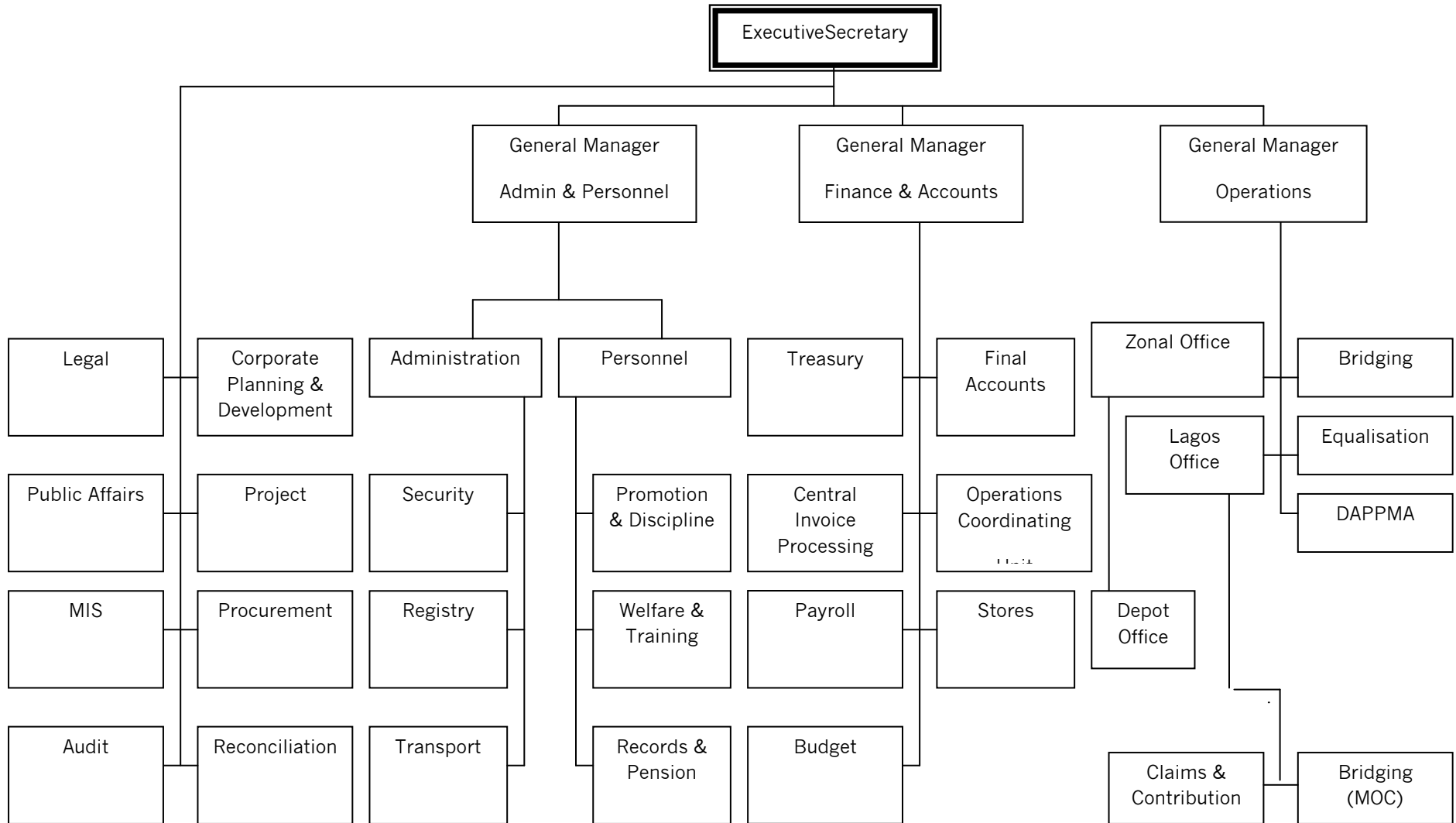
- As major stakeholders marketers committees are expected to cooperate with PEF in safeguarding the fund from abuse by their members.

#### **1.4.5 Limitation and Constraints of PEF (MB)**

- PEF(M)B has no authority to give Bridging approval. The Board's authority is to reimburse marketers' for bridged products.
- Central Bank of Nigeria policy/processes as it affects payment and third party payments.
- All manual claims transactions have been reconciled up-to-dated and all other claims are being processed via the automated processing application.
- Checkmating the activities of marketers- Surveillance and control/ pricing control.
- Non-payment of Bridging and NTA allowance by marketers as at when due.
- Delays in remittance of Bridging allowance due to reconciliation process between the Board and PPMC.
- Lack of up to date of reconciliation of Major Marketers lifting's and activities as at when due.



**PEF (MB) Organisation Structure**



## 1.5 Scope of the Work

The scope of work entails the review of amounts paid to the marketers as National Transportation Average (NTA), amount paid as bridging allowance by the importer, review of process and procedures for claims and general review of activities of PEF. In carrying out the task, the following documents were requested:

- A. Schedule of allowances from 2007 to 2010 classified as:
  - a. Major Marketers
  - b. Pipeline and petroleum marketing Company (PPMC)
  - c. Depot and Petroleum products Marketers Association (DAPPMA)
- B. Schedule of National Transportation Average (NTA) contribution from Independent Marketers from 2007 to 2011
- C. Bridging Claims from 2007 to 2011 classified as follows:
  - a. Major Marketers
  - b. Independent Marketers
  - c. NNPC Mega Station
- D. Receipts of bridging allowances and NTA contribution from 2007 to 2011
- E. Payment vouchers of all bridging and NTA claims from 2007 to 2011
- F. Bank Statement to validate allowances and claims.
- G. Documented processes and procedures on receipt of allowances and payment of claims.
- H. Audited financial statement from 2007 to 2011.

## 1.6 Challenges

The following challenges were encountered which did not allow this audit to come to an adequate conclusion:

Template was not populated as required by the scope of the assignment.

Documents for 2007 to 2010 transactions were not provided. On enquiry, the team was informed that the documents had been moved to the archive in Kaduna.

Inability to make photocopy of some documents which could serve as audit evidence

The documents and schedules made available could not be used for the assignment because they were incomplete and there was no template to validate. Therefore, this audit relied on Audited Financial statements.

## 1.7 System Documentation

A detailed system documentation of processes and procedure for subsidy payment was carried out. The procedures are in the two phases which are **income and disbursements**.

The income of PEF (M) B is made up of the following:

- Allocation from the Federal Government
- The Bridging Allowance
- National Transportation Average

The processes and procedures for each of the above are highlighted below:

- Allocation from the Federal Government

This represents funds appropriated from the Federal Government for the year. The Fund account is usually credited once in a year. This is majorly used for the capital projects.

**Intervention fund** could be given to the Fund when it is considered expedient by the government as a result of inability of the Fund to settle marketers. In such a situation, PEF account is usually credited.

- The Bridging Allowance

This is the payment made by all licensed importers/marketers to PEF (M) B. It is paid on the quantity of petroleum imported into the country. Currently the rate is N6 per litre of imported petroleum products.

The payment of bridge allowance is one of the conditions to be able to claim from the Petroleum Support Fund (PSF) subsidy. In most cases, the landing cost is usually higher than the benchmark price approved by PPPRA. To be able to qualify for the PSF subsidy, the evidence of payment of Bridging Allowance must be shown.

- National Transportation Average (NTA)

The Fund was established to equalize the transportation differentials in white product marketing in Nigeria. The marketers whose petrol station are closer to the depot contribute an agreed price to the fund while the marketers whose filling station are farther from the depot claim from the fund. NTA is an **in and out transaction** in that some marketers contribute while others make claim from the fund.

NTA is a transmission cost reimbursable to the marketer for moving petroleum products from depots to retail outlets. The allowance is N2.99. Any marketer that moves petroleum products between zone 1 and 2, which is the maximum of 50 km and 100km respectively contributes to the fund. From zone 3 to 9, a reimbursement should be given to such marketer to cover their transportation cost.

For example, any marketer in zone 1, which covers a distance of 50 km, is expected to contribute to the fund. The table below shows the approved rate, zones and the kilometer to be covered in order to claim or contribute to the NTA.

Approved Freight Rates – Equalisation (NTA)

**Table 1: Approved Freight Rates - Equalization**

Zones	Distance in kilometers	Old rate	New rate	Remarks
		NTA @N2.75 (Net N2.61)	NTA @N2.75 (Net N2.61)	
1	0- 50	-0.84	-0.94	Contribution

2	51 – 100	-0.41	-0.51	Contribution
3	101 - 150	0.21	0.3	CLAIM
4	151 - 200	0.5	0.73	CLAIM
5	201 - 250	0.94	1.36	CLAIM
6	251 - 300	1.43	2.08	CLAIM
7	301 - 350	2.05	2.98	CLAIM
8	351 - 400	2.53	3.67	CLAIM
9	401 - 450	2.92	4.24	CLAIM

The above table shows two categories of marketers: those that contribute and those that make claim from the NTA based on the kilometers they cover. Zones one and two which represents 0-50 kilometers and 51-100 kilometers respectively contribute to the scheme. To be eligible to make claim from the NTA, the marketer must cover 100 kilometers and above.

Disbursement process:

The claimants of NTA must submit several required documents and acknowledgements with all the required signatures including evidence of discharge of such products before the claims can be attended to usually within 10 days of submission if all requirements are met and the necessary stamps from all concerned agencies sighted and verified.

## 2 Financial Flows

The financial flows to the Fund account are made of Bridging Allowance from importer, National Transportation Average, Allocation from Federal Government and Interests received. Highlights of financial inflow are detailed below.

### 2.7 Summary of Income and Expenditure 2007 to 2011

Table 2: Income 2007-2011

	2011	2010	2009	2008	2007	Total
<b>Income</b>	N'000	N'000	N'000	N'000	N'000	N'000
Bridging Allowance	74,897,529	54,228,400	35,374,144	21,024,743	21,406,605	206,931,421

NTA Contributions	1,295,009	966,621	853,039	538,087	503,366	4,156,122
Statutory Allocation	155,404	42,854	26,219	121,285	52,893	398,655
Interest Received	256,962	161,423	151,387	109,723	69,216	748,711
Returns(Interest) and principal from investment in treasury bills	1,063,502	473,367	1,876,331	449,999	954,774	4,817,973
Grant From Government	9,000,000	-	-	17,414,185	-	26,414,185
Other Receipts	388,533	668,910	226,174	67,870	409,336	1,760,823
<b>Total Receipts</b>	<b>87,056,939</b>	<b>56,541,575</b>	<b>38,507,294</b>	<b>39,725,892</b>	<b>23,396,190</b>	<b>245,227,890</b>
<b>Expenditure</b>						
Claim Paid	71,415,652	39,531,364	35,653,864	29,232,488	18,579,771	194,413,139
Capital Payments	263,244	90,306	93,507	124,470	160,448	731,975
Pioneer Consumer Car Finance Scheme	-	-	500,000	1,000,000	500,000	2,000,000
Staff Expenses And Benefits	3,682,654	3,016,022	2,367,600	1,005,087	1,618,488	11,689,851
Administrative Expenses	624,787	536,909	684,083	618,132	403,976	2,867,887
Statutory Allocation Refunded	1,165	381	59,757	-	-	61,303
Bank Guarantee	-	34,669	-	-	-	34,669
Purchase Of Treasury Bill	-	1,470,646	1,876,331	449,999	478,459	4,275,435
	75,987,502	44,680,297	41,235,142	32,430,176	21,741,142	216,074,259
Excess of Cash Receipt Over Cash Payment	11,069,437	11,861,278	(2,727,848)	7,295,716	1,655,048	29,153,631

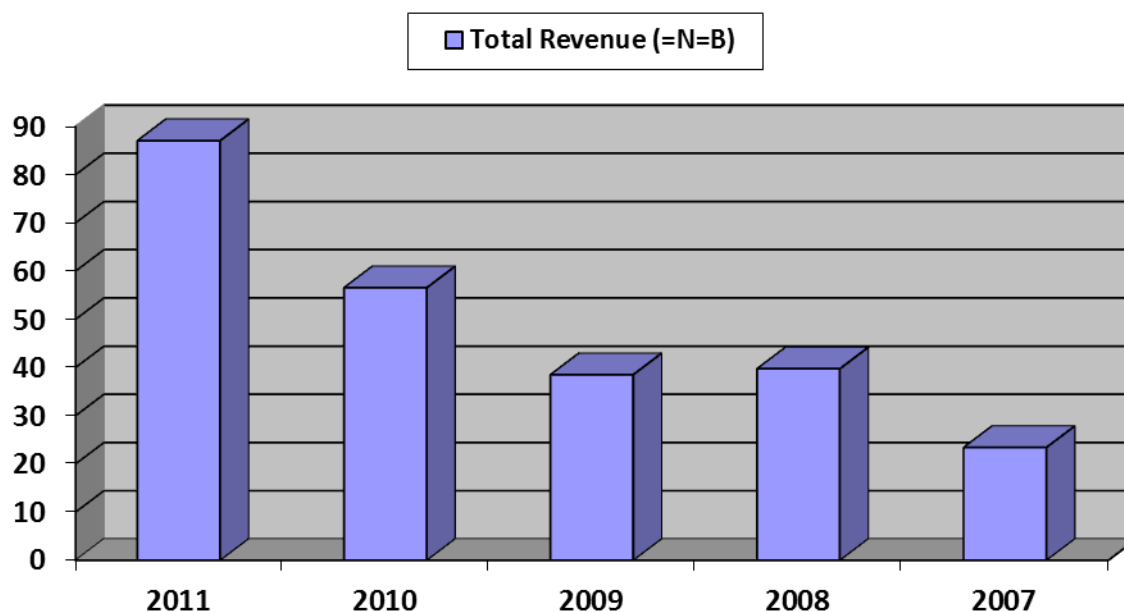
Cash and Cash Equivalent At Beginning Of The Year	19,374,336	7,513,058	10,240,906	2,945,190	1,290,142	1,290,142
Cash And Cash Equivalent At The End Of The Year	30,443,773	19,374,336	7,513,058	10,240,906	2,945,190	30,443,773

Source: PEF (MB) Audited Financial Statements 2007 to 2011

## 2.8 Income from 2007 to 2011

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Bridging Allowance	74,897,529	54,228,400	35,374,144	21,024,743	21,406,605	206,931,421
NTA Contributions	1,295,009	966,621	853,039	538,087	503,366	4,156,122
Statutory Allocation	155,404	42,854	26,219	121,285	52,893	398,655
Interest Received	256,962	161,423	151,387	109,723	69,216	748,711
Proceed from Treasury Bills on Maturity	1,063,502	473,367	1,876,331	449,999	954,774	4,817,973
Grant from Govt.	9,000,000	-	-	17,414,185	-	26,414,185
Other Receipts	388,533	668,910	226,174	67,870	409,336	1,760,823
Total Receipts	87,056,939	56,541,575	38,507,294	39,725,892	23,396,190	245,227,890

Source: PEF (MB) Audited Financial Statements 2007 to 2011



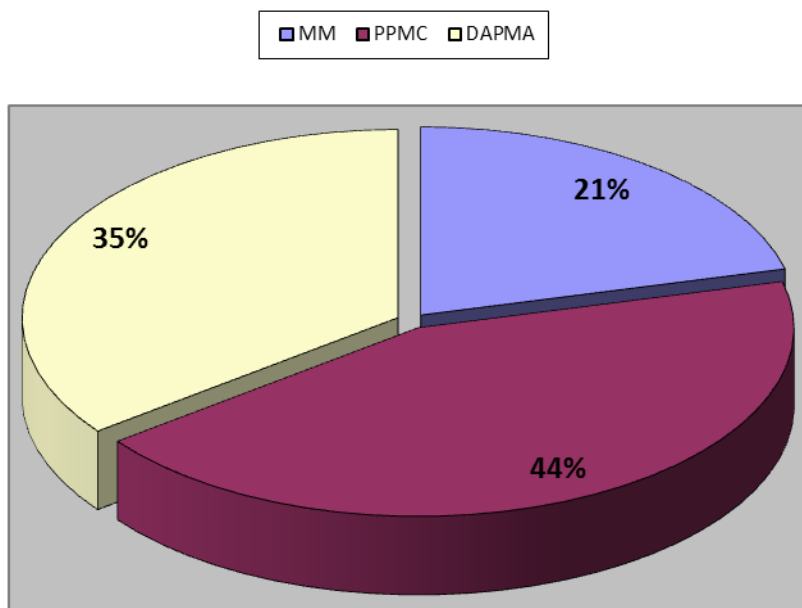
From table 2 above and the bar chart, Total Revenue for the years under review was =N=245.23 billion. Revenue in 2007 was =N=23.4 billion. It increased by 70% to =N=39.73 billion in 2008 but decreased slightly by 3% to =N=38.51 billion in 2009. There was an increase in revenue by 47% in 2010 to =N=56.54 billion and a further increase by 54% to =N=87.06 billion in 2011.

## 2.9 Bridging Allowance

As stated earlier, this is the payment made by all licensed importers/marketers to PEF. It is paid on the quantity of petroleum imported into the country. Currently the rate is N6 per litre of imported petroleum products. The importers/marketers are grouped into three categories: Major Marketers, Pipeline and Petroleum Marketing Company (PPMC) and Depot & Petroleum Product Marketers Association (DAPPMA). Revenue from Bridging allowance for the years under review was =N=206.93 billion.

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Major Marketers (MM)	14,458,926	12,400,432	14,906,265	1,773,822	19,975	43,559,420
Pipeline and petroleum marketing company (PPMC)	18,214,822	22,901,092	15,450,235	16,080,723	17,716,080	90,362,952
Depot & Petroleum Product Marketers Association (DAPPMA)	42,223,781	18,926,876	5,017,644	3,170,198	3,670,550	73,009,049
	74,897,529	54,228,400	35,374,144	21,024,743	21,406,605	206,931,421

Source: PEF (MB) Audited Financial Statements 2007 to 2011



During the period under review, revenue from Major Marketers (MM) was =N=43.56 billion representing 21% of total Bridging Allowance, Pipeline and Petroleum Marketing Company (PPMC) contributed =N=90.36 billion representing 44% of total allowance while Depot & Petroleum Product Marketers Association (DAPMA) contributed =N=73.01 billion representing 35% of total allowance.

## 2.10 National Transportation Average (NTA)

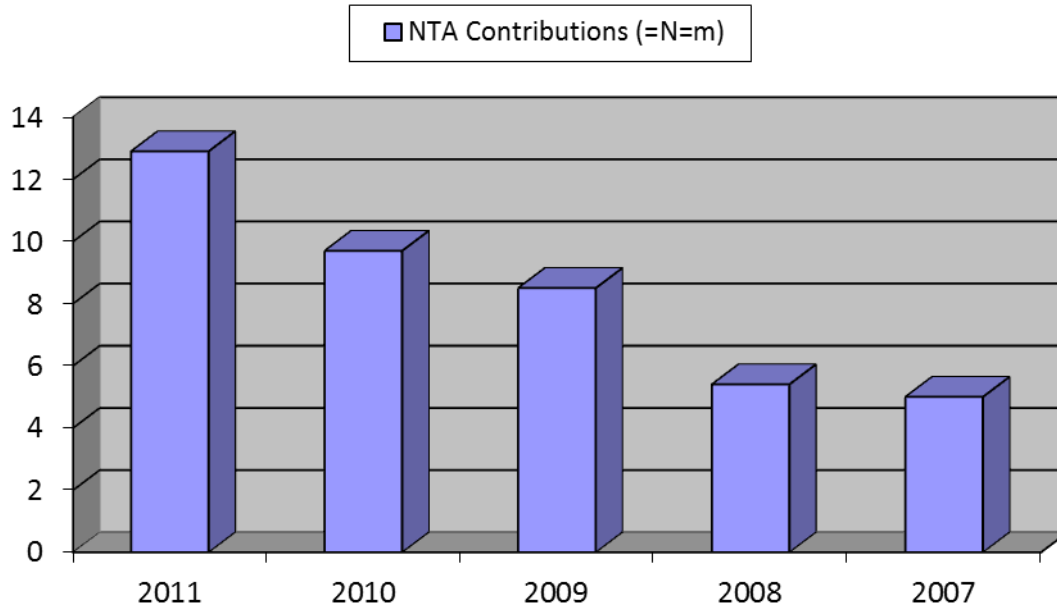
Also, as stated in an earlier section, the Fund was established to reimburse marketers' on losses incurred on transportation of white petroleum products and their sale at government approved prices in Nigeria. NTA is a dynamics in which the marketers whose petrol station are closer to the depot contribute an agreed price to the fund while the marketers whose filling station are farther from the depot claim from NTA. NTA is an in and out transaction in that some marketers contribute while others make claim from the fund. Total Contribution from NTA for the period under review was =N=4.156 billion as shown in table 2 above.

Year	=N=000
2011	1,295,009
2010	966,621
2009	853,039
2008	538,087
2007	503,366



	4,156,122
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Source: PEF (MB) Audited Financial Statements 2007 to 2011



Contribution from NTA was =N=503 million in 2007, the contribution increased by 7% to =N=538 million in 2008 and further increased by 59%, 13% and 34% in 2009, 2010 and 2011 respectively.

## 2.11 Statutory Allocation

The PEF (MB) receives statutory allocation from the Federal Government. During the years under review, the Agency received the sum of =N=398 million as shown in the table 2above.

Year	=N=000
2011	155,404
2010	42,854
2009	26,219
2008	121,285
2007	52,893
	398,655

Source: PEF (MB) Audited Financial Statements 2007 to 2011

## 2.12 Interest Received

During the period under review, the Agency received the sum of =N=748million as interest on Nigerian Treasury Bill and Bank current Account as shown in the table below:

Table 3: Interest Received 2007 - 2011

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Nigerian Treasury Bill	-		9,713	27,078	45,226	82,017
Bank Current Account	256,962	161,423	141,674	82,645	23,990	666,694
	256,962	161,423	151,387	109,723	69,216	748,711

Source: PEF (MB) Audited Financial Statements 2007 to 2011

## 2.13 Grants from Government

The Agency received the sum of =N=17.414 billion in 2008 and =N=9 billion in 2011 as grant from the Presidency to facilitate payment of backlogs of bridging claims due to marketers which PEF was unable to pay as a result of insufficient fund.

## 2.14 Other Receipts

Other receipts include; refund on Pioneer Consumer Car Finance Scheme, proceeds from the disposal of assets, receipt for pension and gratuity, proceeds from Nigerian Deposit Insurance Corporation (NDIC) and others as shown in the table below:

Table 4: Other Revenue Receipts

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Pioneer Consumer Car Finance Scheme	348,334	642,859	82,208	60,119	-	1,133,520
Proceed from Assets Disposal	2,737	2,745	1,390	862	4,764	12,498
Pension and Gratuity					392,548	392,548

Proceed from NDIC			125,164			125,164
Others	37,462	23,306	17,412	6,889	12,024	97,093
	388,533	668,910	226,174	67,870	409,336	1,760,823

Source: PEF (MB) Audited Financial Statements 2007 to 2011

## 2.15 Pioneer Consumer Car Finance Scheme (PCCF)

Pioneer Consumer Car Finance Scheme (PCCF) is a scheme established by the Federal Government to finance purchase of motor vehicles for the officers in the Armed Forces, police and Para-Military. PEF (MB) was directed in 2007 by the Federal Executive Council to advance ₦2 billion through defunct Intercontinental Bank Plc. The receipt represents repayment of the fund during the years under review.

## 3 Expenditure

### 3.7 Summary

Table 5: Summary of Expenditure

	2011	2010	2009	2008	2007	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Claim Paid	71,415,652	39,531,364	35,653,864	29,232,488	18,579,771	194,413,139
Capital Payments	263,244	90,306	93,507	124,470	160,448	731,975
Pioneer Consumer Car Finance Scheme	-	-	500,000	1,000,000	500,000	2,000,000
Staff Expenses And Benefits	3,682,654	3,016,022	2,367,600	1,005,087	1,618,488	11,689,851
Administrative Expenses	624,787	536,909	684,083	618,132	403,976	2,867,887
Statutory Allocation	1,165	381	59,757	-	-	61,303

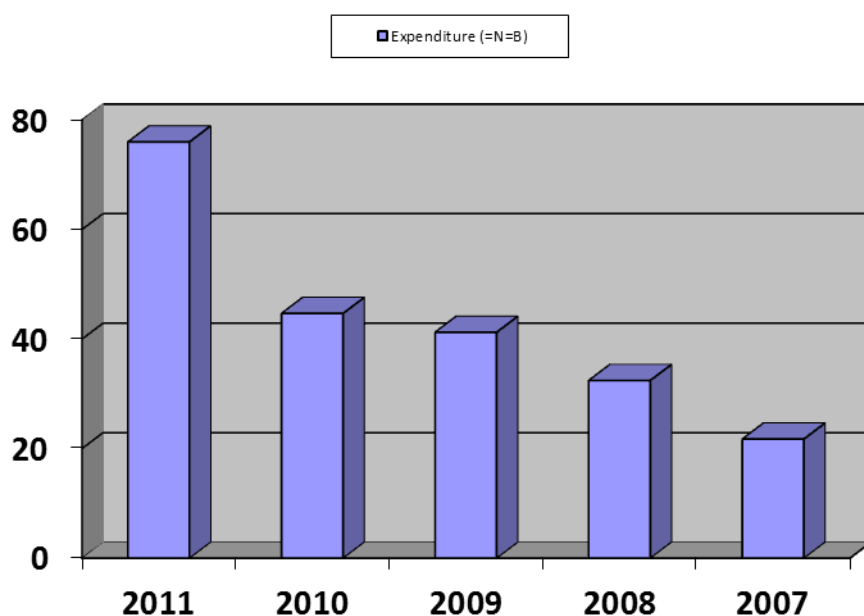
Refunded

Bank Guarantee

Purchase Of Treasury Bill

-	34,669	-	-	-	34,669
-	1,470,646	1,876,331	449,999	478,459	4,275,435
75,987,502	44,680,297	41,235,142	32,430,176	21,741,142	216,074,259

Source: PEF (MB) Audited Financial Statements 2007 to 2011



Expenditure in 2007 was =N=21.74 billion, the expenditure increased by 49% in 2008 to =N=32.43 billion. There was an increase of 27%, 8%, and 70% in 2009, 2010 and 2011 respectively.

### 3.8 Petroleum Equalisation Claims

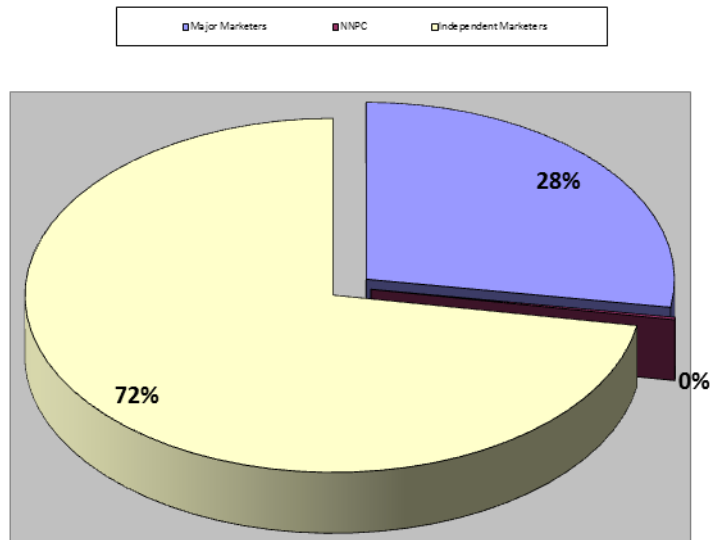
The Agency paid Petroleum Equalisation claim of =N=194.413 billion to Major Marketers, NNPC Mega Stations and Independent Marketers during the years under review as shown in the table below:

Table 6: Total Claims Paid 2007 - 2011

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Major Marketers	19,237,932	7,118,909	16,423,652	6,187,979	4,589,394	53,557,866
NNPC Mega Stations					410,358	410,358
Independent Marketers	52,177,720	32,466,225	19,230,212	23,044,509	13,580,019	140,498,685

TOTAL CLAIM PAID	71,415,652	39,531,364	35,653,864	29,232,488	18,579,771	194,413,139
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Source: PEF (MB) Audited Financial Statements 2007 to 2011



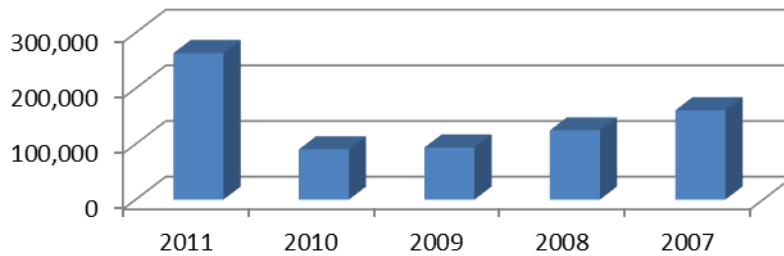
During the years under review, claims paid to Independent Marketers was ₦140.498 billion representing 72% of total claims paid, Major Marketers was paid ₦53.557 billion representing 28% of total claims paid

**Table 7: Capital Payments**

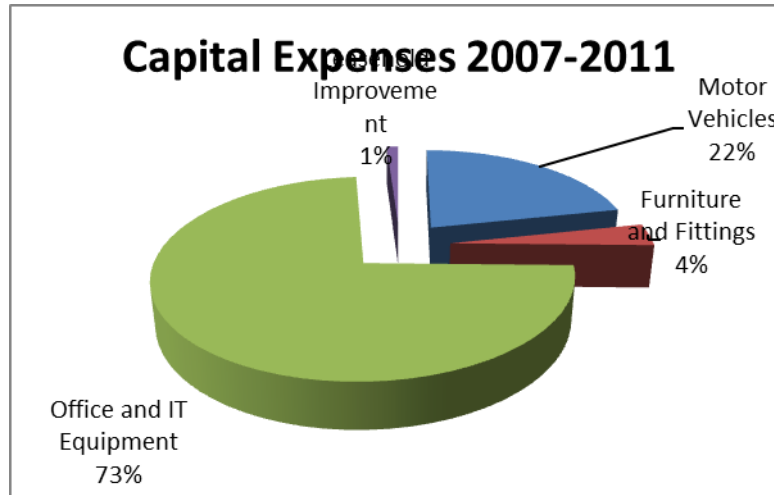
	2011	2010	2009	2008	2007	Total
	₦=000	₦=000	₦=000	₦=000	₦=000	₦=000
Motor Vehicles	17,645	40,407		15,073	85,526	158,651
Furniture and Fittings	20	2,605	5,265	13,157	5,571	26,618
Office and IT Equipment	241,371	43,660	88,242	96,240	69,351	538,864
Leasehold Improvement	4,208	3,634				7,842
	263,244	90,306	93,507	124,470	160,448	731,975

Source: PEF (MB) Audited Financial Statements 2007 to 2011

### Trend in Capital expenditures 2007-2011



### Capital Expenses 2007-2011



In terms of Capital expenditures by the PEF, it can be seen while there a decreasing trend from 2007 to 2010, there a major jump in 2011 from 90.3million to 263.2 million, a 191% increase. Considering the components of the capital expenditure over the period, Office and It equipment dominates with 73% of total capital expenses while motor vehicles follws distantly with a share of 22%. Furniture/fitting and other keasehold expenses together account for the rest of capital expenditures over the period under review.

### 3.9 Staff Expenses and Benefits

Table 8: Staff Expenses and Benefits

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Salaries and Wages	3,137,684	2,369,415	2,025,237	625,327	1,295,807	9,453,470
Transfer Benefits	53,362	14,808	77,262	49,378		194,810

Staff Training	42,636	52,900	43,487	99,552	58,523	297,098
Pension and Gratuity	448,972	578,899	221,614	230,830	210,277	1,690,592
Employee Life Assurance	-	-	-	-	18,061	18,061
Employee Loan and Advances	-	-	-	-	35,820	35,820
	3,682,654	3,016,022	2,367,600	1,005,087	1,618,488	11,689,851

Source: PEF (MB) Audited Financial Statements 2007 to 2011

### 3.10 Administrative Expenses

Table 9: Administrative Expenses

	2011	2010	2009	2008	2007	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Entertainment and Hospitality	17,247	16,738	18,550	33,609	19,055	105,199
Medical Expenses			25,903	15,051	35,284	76,238
Stationary and Printing	15,126	19,277	14,401	9,822	28,074	86,700
Transport and Travelling	177,706	158,143	78,082	112,606	130,812	657,349
Donation and Subscription	2,248	18,992	11,158	11,966	5,778	50,142
Repairs and Maintenance	57,543	26,266	48,056	35,229	41,724	208,818
Motor Expenses	2,617	1,687	3,094	5,422	7,212	20,032
Utility	7,087	3,007	3,737	34,085	24,776	72,692
Insurance and Licence	7,997	21,215	62,618	69,748	9,687	171,265
Professional Fee	96,323	44,471	41,193	88,336	7,986	278,309
Rent and Rates	1,733	60,481	64,082	59,108	13,980	199,384
VAT, WTH and PAYE Expense	32,274	69,797	146,093	39,981	52,621	340,766
Bank Charges	13,146	882	707	1,174	3,612	19,521
Postage and Telephone	23,334	16,902	17,089	11,088		68,413
IPMAN Insurance		-	100,824			100,824
Generator	13,335	11,032	8,039			32,406

Others	157,071	68,019	40,457	90,907	23,375	379,829
	624,787	536,909	684,083	618,132	403,976	2,867,887

Source: PEF (MB) Audited Financial Statements 2007 to 2011

## 4. Observations and Recommendations

### 4.1 Observations

#### 1. Non separation of Fund expense

Utilization of Fund is not separated between core activity and administrative purposes. The disbursements out of the fund are carried out from the same bank accounts for both purposes.

#### 2. Discriminatory practice in claims settlement

The PEF (M) B paid claims to major and independent oil marketers only after deducting the contributions and allowances due from the marketers to PEF (M) B

In some cases, bridging claims were paid to some independent oil marketing companies without deducting the National Transportation Average (NTA) contribution due from them.

#### 3. Non imposition of penalties

The Fund does not impose penalties promptly on defaulting independent and major oil marketers who did not pay their contribution to the Fund.

#### 4. Budgetary Control and Review by Budget Department

A review of PEF(M)B management letter for 2008 and 2009 showed that there was no documentary evidence that the Budget Department carried out review of the expenditures before expenses were incurred as at 2007. It is noteworthy to state that this observed deficiency in the operations of the Fund as at 2007 has been addressed.

### 4.2 Recommendations

- It is recommended that the utilization of the Fund's resources should be distinguished between core activities, which include settlement of claims and receipt of NTA contributions from administrative activities for management of Fund expenses.
- We recommend that management of PEF(M)B should ensure that it does not honour any claims due to independent or major oil marketing company until that company settles all previous indebtedness to PEF(M)B
- It is also recommended that management should take advantage of the provision in the Acts establishing the Fund and recover any outstanding balances, together with the appropriate penalty.
- It is further recommended that the Budget Department should continue reviewing all expenditure before they are paid and also ensure that their review is properly documented for easy reference.