

**PETROLEUM PRODUCT PRICING REGULATORY AGENCY
(PPPRA)**

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SECTION 2

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1 Introduction

The Petroleum Products Pricing Regulatory Agency (PPPRA) was established by an Act of the National Assembly in 2003 as an autonomous agency to primarily determine the pricing policy of petroleum products and regulate their supply and distribution. The Agency now has payment of subsidy as one of its major functions.

The agency was inaugurated as a result of several problems that besieged the downstream sector. Some of these problems include:

- I. Scarcity of petroleum products leading to long queues at the service stations.
- II. Low capacity utilization and refining activities at the nation's refineries (poor state of the refineries).
- III. Rampant fire accidents as a result of mishandling of products- products adulteration.
- IV. Pipeline vandalisation.
- V. Large scale smuggling due to unfavourable economic products borders' prices with the neighbouring countries.

At the inauguration of PPPRA, the following funds were created for the agency:

- The take-off grant from the Federal Government;
- Annual subvention from the Federal Government;
- Loans and grants-in-aid from national, bilateral and multilateral agencies;
- Rents from the Agency's property, fees and other internally generated revenue arising from the services provided by the Agency.

1.1 Scope of Work for FASD Audit

The scope of work entails the review of subsidy payments from 2007 to 2011 and ascertaining the amount paid as subsidy in those years. This involves the review of the activities of Petroleum Support Fund (PSF) and the following documents:

- The e- payment file used to pay the marketers in 2009 and 2010;
- The schedule of payment of the marketers;
- The CBN bank statements (2007 to 2010);
- Processing manuals; payment vouchers;
- Auditor's report on subsidy payment;
- Process manual;
- Income file;

At the end of the assignment, the audit was able determine:

- The amount paid as subsidy on yearly basis for:

- Household Kerosene (HHK) and
- Premium Motor Spirit (PMS)
- The amount collected as subsidy by each marketer.

1.2 Challenges in Carrying Out the FASD Audit Assignment

Some challenges were encountered in the course of the audit. Though they do not render the report futile, it is imperative that those challenges be brought to limelight. The challenges worthy of note include:

- Inability to review the cash book used for subsidy payment in 2007 and 2008. On enquiry, it was stated that the documents are with the EFCC. For that reason, the CBN statements were used to carry out the task.
- Inability to get adequate response as at when required from the PPPRA Management
- The templates were not populated in an acceptable format.
- There were delays in getting requested documents such as organizational structure and organisation's profile which ordinarily should be in existence.
- Inability to make copies of some important documents.

1.3 Documents/Information Requested but not released

- 1) CBN STATEMENT FOR 2006 (August to December)
- 2) Schedule of Independent Oil marketers – over recovery of subsidies to the tune of ~~₦222, 742,812~~ in 2011

1.4 Corroborative Information on Subsidy from Government Agencies

Due to a change in the subsidy settlement payment system in 2010, it is imperative that corroborative information is obtained from the following agencies:

- DMO
- Federal Ministry of Finance (FMF)

2 Internal Workings of the PPPRA

2.1 Functions of the Agency

The Petroleum Products Pricing Regulatory Agency (PPPRA) was set up principally to carry out the following functions:

- Determine the pricing policy of petroleum products;
- Regulate the supply and distribution of petroleum products;
- Establish a data bank through liaison with all relevant agencies to facilitate the making of informed and realistic decisions on pricing policies;
- Moderate volatility in petroleum products prices, while ensuring reasonable returns to operators;
- Oversee the implementation of the relevant recommendations and programmes of the Federal Government as contained in the white paper on the Report of the Special Committee on the Review of Petroleum Products Supply and Distribution specified in the second schedule to the Act as they relate to its functions, taking cognizance of the phasing of special proposals;

- Establish parameters and codes of conduct for all operators in the downstream petroleum sector;
- Maintain constant surveillance over all key indices relevant to pricing policy and periodically approve benchmark prices for all petroleum products;
- Identify macro-economic factors with relationship to prices of petroleum products and advise the federal government on appropriate strategies for dealing with them;
- Establish firm linkage with key segments of the Nigerian society, and ensure that its decisions enjoy the widest possible understanding and support;
- Prevention of collusion and restrictive trade practices harmful in the sector;
- Exercise mediatory role as necessary for all the stakeholders in the sector;
- Other functions which the national Assembly may confer on the Agency from time to time; and
- Carry out such other activities as appear to it necessary or expedient for the full and efficient discharge of its functions under the Act.

2.2 Objectives of the Petroleum Support Fund (PSF)

The Petroleum Support Fund (PSF) is funded by the three tiers of Government to stabilize the domestic prices of petroleum products against volatility in international Crude oil and Products Prices.

However, it was observed that from inception, payment into the Fund has been derived or borne by either the Federal Government Budget or through the Domestic Excess Crude Account.

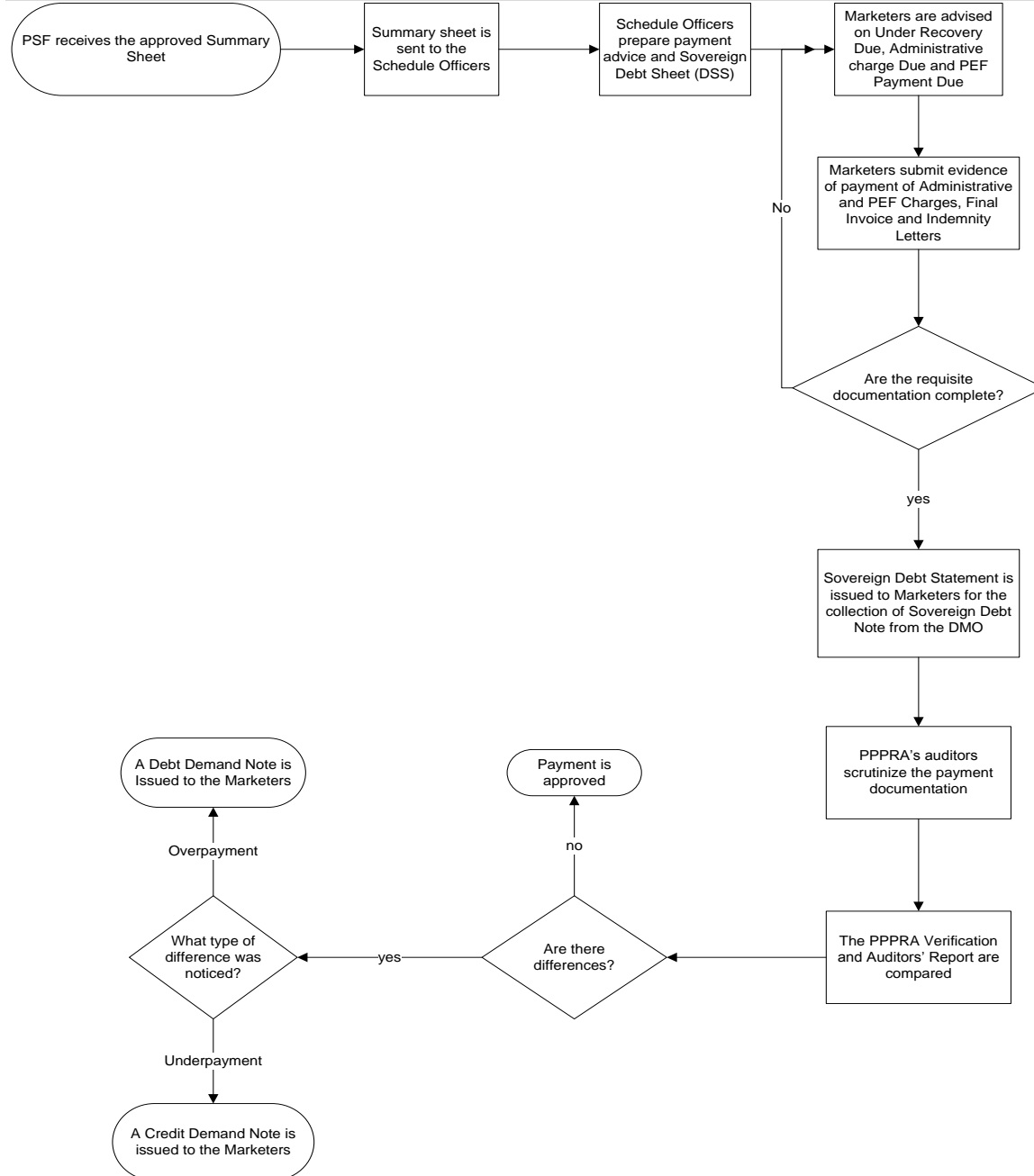
The following are the objectives of the PSF:

- To stabilize the domestic prices of petroleum products against volatility in International Crude oil and Products market
- To create a level-playing field for active participation of NNPC & other Marketers in products supply and distribution
- To guarantee effective products availability and distribution nationwide
- To entrench transparency and accountability in the administration of the Fund on petroleum products subsidy in line with the government objectives.

2.3 Subsidy Payment Process

The subsidy payment is managed by the PSF unit in PPPRA. A detailed system documentation of the subsidy payment was carried out by the Audit team and the key staff of the unit. There are two processes for the subsidy settlement and they are performed simultaneously. These are divided into process A and process B and are depicted in diagrammatic form below.

2.3.1 Process A

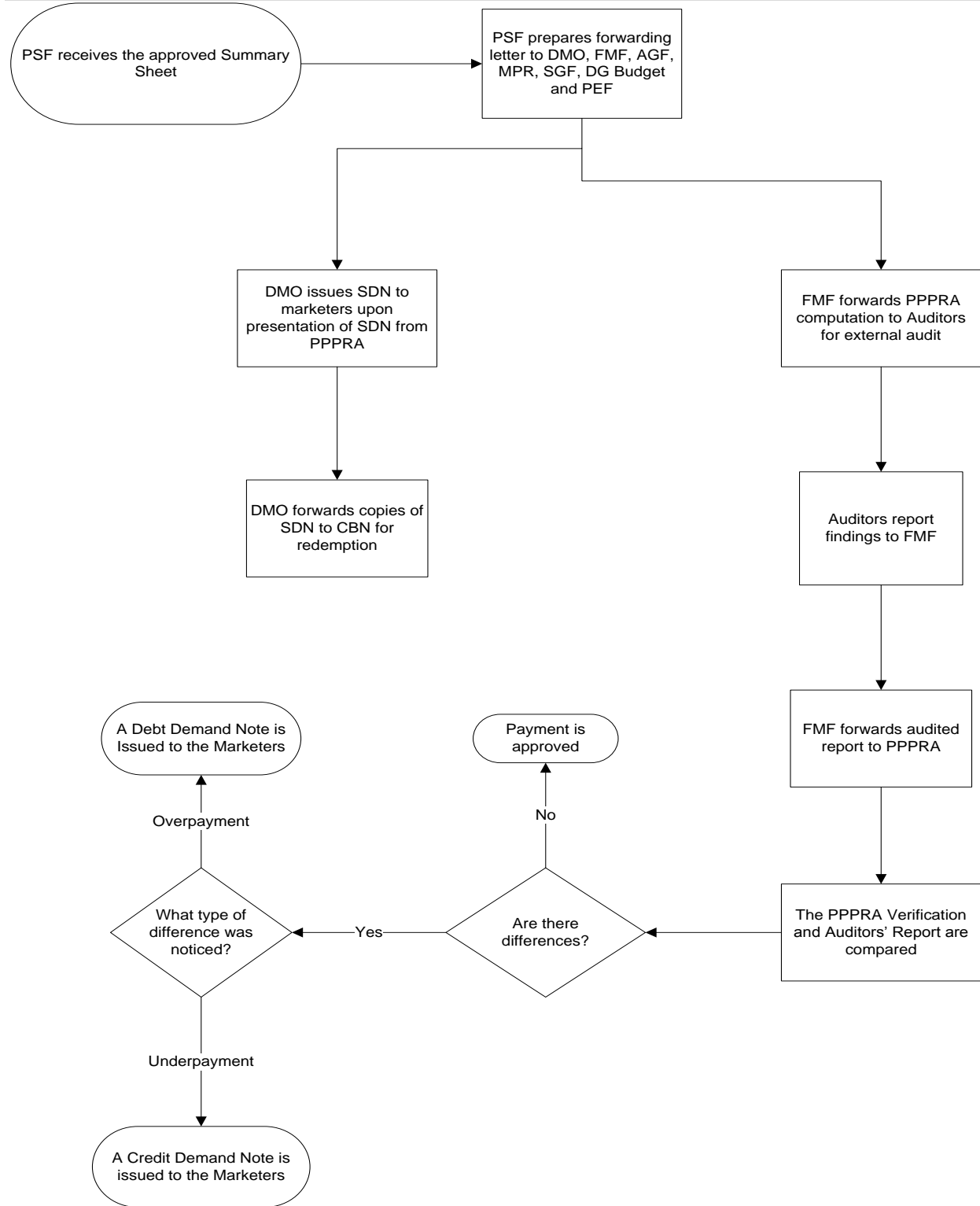


- 1) Schedule officers receive approved PSF summary sheet and prepare payment advice and Sovereign Debt Statement (SDS).
- 2) Marketers are advised on Under Recovery Due, Administrative Charge Due and PEF Payment Due. Under recovery simply means subsidy payment to the marketers. This is a situation where the amount

spent by the marketers is higher than the Government's regulated price. The Government will reimburse the marketers to ensure that the regulated price is complied with.

- 3) Over recovery on the other hand simply means the opposite of under recovery. That is, a situation where the amount spent by the marketers is lower than the Government's regulated price. Administrative charge of ₦0.15K per litre is imputed on the quantity of the product imported. This charge applies in both recovery situations mentioned above.
- 4) The PEF payment is the bridging allowance due to the PEF. Each importer is expected to pay bridging allowance on the litre for quantity of imported petroleum product. This is deducted at source by PPPRA and remitted to the PEF. The Bridging allowance to PEF is now fixed at ₦6 per litre on the quantity of the petroleum product imported from 2011.
- 5) Evidence of payment for administrative and PEF charges, final invoice and indemnity letters are brought by marketers.
- 6) At this stage, the documentation will be vouched and thoroughly checked to ensure their completeness and correctness. If the documentations are not complete, the marketers would be referred to the stage two but if they are certified to be correct and complete, it will be processed further to the next stage.
- 7) **Sovereign Debt Statements (SDS)** is issued to the marketers for collection of Sovereign Debt Notes (SDN) from DMO. SDS is a statement issued by PPPRA to the marketer stating the amount payable as subsidy. This statement is issued after various approvals have been obtained.
- 8) PPPRA Post Audit by Auditors / PPPRA verification is the next step. The auditors are required to carry out thorough scrutiny of the payment documentation before it would be passed to the next stage
- 9) At this stage, the comparison between the PPPRA verification and Auditors reports would be carried out. Should there be any difference, such difference would be reviewed and reconciled. If there is no difference, this is the end of the transaction.
- 10) If there is difference, **Debt Demand Note (DDN)** is issued. Debt demand note is issued when it is discovered that there is overpayment to the marketers. With this demand note, such overpayment is paid back to the account. In the same vein, **Credit Demand Note (CDN)** could be issued if there is underpayment to the marketers. The marketer/importer will be paid back for any shortage or short fall discovered.
- 11) This brings the process to an end.

2.3.2 **Process B**



- 1) PSF Department receives approved PSF summary sheet and prepares forwarding letters to DMO, FMF, AGF, MPR, SGF, DG Budget, and PEF.
- 2) It should be noted that the process below (**process B 1 and process B 2**) are carried out simultaneously.

2.3.2.1 *Process B 1*

- 3) DMO issues SDN to marketers upon presentation of SDS from PPPRA
- 4) DMO forwards copies of SDN to CBN for redemption.

2.3.2.2 *Process B 2*

- 5) FMF forwards PPPRA computation to Auditors for external audit. These are reputable firms of chartered accountants. Akintola William (Deloitte – Firm of Chartered Accountants) was the external auditor from 2007 to 2010 before it was changed to D.O Dafinone and Co. (Chartered Accountants) in 2011. All computation from PPPRA would be exposed to external review of the auditors.
- 6) Auditors report findings to FMF: The reports of the external auditor would be forwarded to the Federal Minister of Finance.
- 7) If the above stages are carried out satisfactorily, it would be moved to stage 6 of process “A” above.
- 8) It was gathered that from 2011, subsidy payment is made by the DMO.

2.4 Subsidy Payment Computation

The PPPRA through its PSF unit is charged with the responsibility of determining the amount payable as subsidy to each qualified marketer / importer. A Standard template is used by the PPPRA to determine the subsidy payment per litre of the product on daily basis. In the determination of subsidy payment, the following terms are used:

- **Ex-Depot Price:** This refers to the landing Cost of Products based on Import Parity Principle (IPP). Ex-Depot Price is the benchmark price fixed by PPPRA for the imported quantity of petroleum product.
- **Landing Cost:** This is the total cost of importing petroleum products to the depot in Nigeria.
- **Over Recovery** refers to “the amount (difference) payable to the fund by the operator when the Ex-Depot Price of Products is higher than the PPPRA approved Benchmark Price”.
 - **Over recovery** on products occurs when the Landing cost of products is less than the approved Ex-depot price. Marketers are then expected to pay back into the Fund.

Under Recovery: This is otherwise called subsidy. It is the amount (difference) payable to the operator from the fund when the Ex-Depot Price of Products is less than the PPPRA Benchmark Price”.

In other word, under recovery is when the Landing cost of products is more than the approved Ex- depot price. During the period of under recovery, the marketers are paid the difference in the Landing cost of products and the government approved Ex-depot price. The PSF mode of payment is based on either under or over recovery of products cost.

The subsidy is computed by simply multiplying the quantity imported with under recovery rate. Under recovery rate is the difference between the landing cost and the ex- depot price. These are the prices determined by PPPRA using standard template.

In a situation where the **ex-depot price** is higher than the **landing cost**, there is **over recovery** and the oil marketing companies would be made to pay back the computed difference. This is possible through **demand note** signed by the marketer.

2.5 Brief Inter-phase of other Agencies in Subsidy Payment

The following agencies can be gleaned from the process maps as involved in the subsidy payment:

- The Debt Management Office (DMO):

DMO is responsible for the issuance of SDN after receiving of SDS from the marketer. DMO forwards copies of SDN to CBN for redemption. SDN is a payment advice which CBN use to pay the marketers.

- Federal Ministry of Finance (FMF):

The subsidy computation of PPPRA is audited by FMF through its external auditors. Akintola Williams Deloitte had been the external auditor on PSF until recently when it was changed to Dafinone & Co (Chartered Accountants)

- The Accountant General of the Federation (AGF):

Accountant General of the Federation is charged with the responsibility of funding PPPRA account with CBN after PPPRA computation has been thoroughly reviewed and external auditors report has been issued.

- Ministry of Petroleum Resources (MPR):

Approved PSF summary sheet are sent to Ministry of Petroleum Resources for their input.

- The Central Bank of Nigeria (CBN):

Subsidy payment is paid through CBN upon the presentation of SDN issued by the DMO

- Petroleum Equalization Fund (PEF)
- The Budget Office

3 Highlight Of Financial Flows

The following are the highlights of financial flows of the agency:

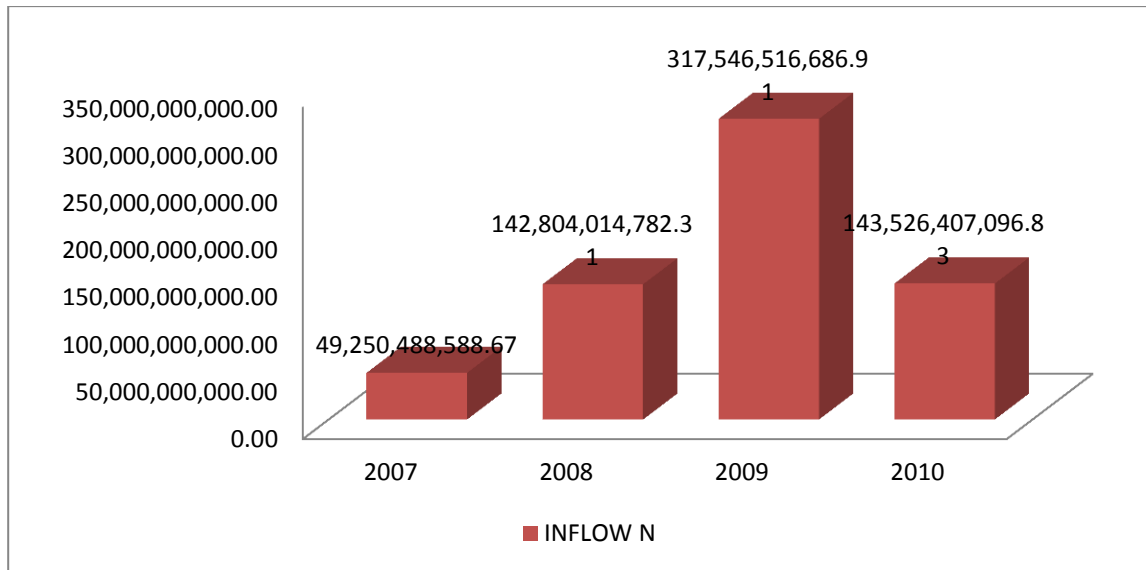
- Transfer from **Excess Crude Account (ECA)** via a mandate from Accountant General of Federation authorizing the CBN governor to transfer funds to PPPRA account domiciled with CBN. This is the major source from which the subsidy is paid.
- Administrative charges of ₦0.15 per litre on the imported petroleum products quantities.

Table 1: SUMMARY OF FINANCIAL INFLOW FROM 2007 TO 2010

YEAR	INFLOW ₦
2007	49,250,488,588.67
2008	142,804,014,782.31
2009	317,546,516,686.91
2010	143,526,407,096.83

Source: CBN statement from 2007 to 2010.

The details of above inflow are shown in the relevant section of the overall appendices this is shown on a yearly basis.



In the above histogram, it clearly shows that the agency received the highest grant from the government as a result of increased subsidy payment in the year 2009.

We noted that the income for 2011 was not captured in the PPPRA CBN statement. Upon enquiry, it was related that subsidy payment for 2011 was paid by the DMO. For this reason, the agency's account was not funded.

3.1 Subsidy Payment

3.1.1 Subsidy Payment by NNPC

It was observed that the NNPC deducts its subsidy payment at source from domestic crude sale. The deduction at source by NNPC might make it impossible for the PPPRA to account for the total subsidy paid.

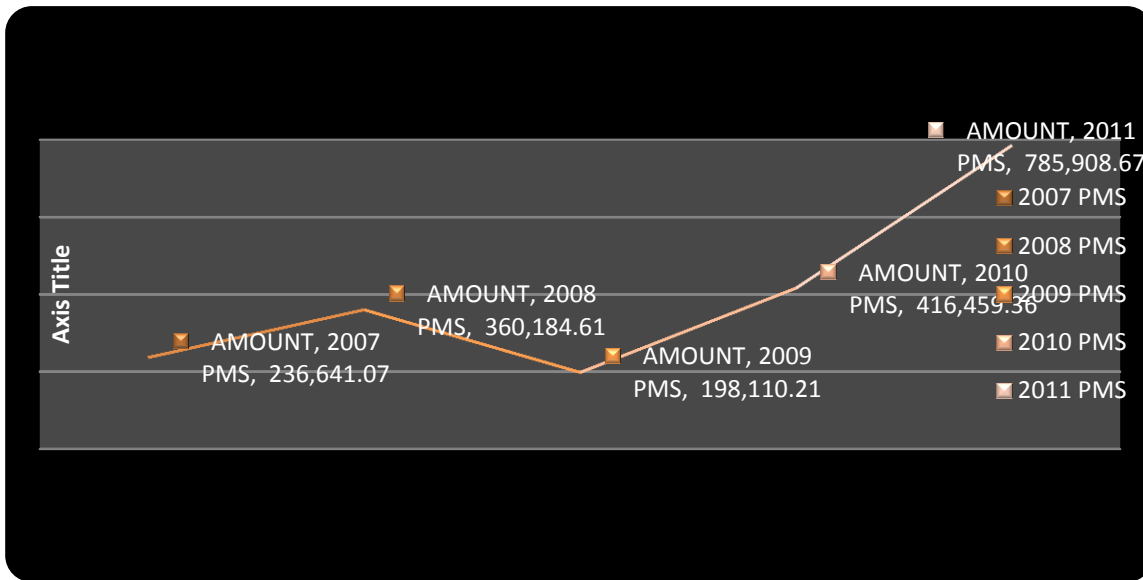
It is on record that amounts payable by NNPC to the Federation Account with respect to domestic crude allocations were paid less of subsidy claims during the period under review. Total amount deducted as subsidy claims during the five years period under review were NGN236.6billion, NGN360.2billion, NGN198.1billion, NGN416.4billion and NGN785.9billion respectively.

The table below clearly shows the amount deducted as source by NNPC.

Table 2: Subsidy Payment by NNPC

YEAR	PRODUCTS	AMOUNT ₦
2007	PMS	236,641,070,000
2008	PMS	360,184,606,000
2009	PMS	198,110,212,000
2010	PMS	416,459,361,000
2011	PMS	785,908,668,000
TOTAL		1,997,303,917,000

Source: *NEITI audit report 2007 to 2011*



The figures above are in Millions.

The sum of ₦236,641,070,000 was paid in 2007 which increased to ₦360,184,606,000 in 2008 and later fell in 2009 to ₦198,110,212,000. The chart clearly shows that the subsidy claim of NNPC picked up in 2010 and witnessed an astronomical increase in 2011 to ₦785,908,668. The subsidy NNPC claimed increased from 11.85% in 2007 to 18.03% in 2008 and dropped by 45% in 2009. It later increased by 110.22% in 2010 from 2009 and further increased to 88.71% in 2011.

3.1.2 Recommendation

Subsidy payment should be made through PSF from the Central Bank of Nigeria (CBN) on the approval of the Accountant General of the Federation based on the claims approved by PPPRA. NNPC should be made to direct all its subsidy issues to PPPRA like other importers.

3.1.3 Subsidy Payment Via PSF

Table 3: REVIEW OF SUBSIDY PAYMENT FROM 2007 TO 2011

Year	PMS		HHK		Total Subsidy (N)
	Quantity (Litres)	Subsidy Amount (N)	Quantity (Litres)	Subsidy Amount	
2007	2,155,738,987	49,429,487,083	41,824,207	1,958,757,190	51,388,244,273
2008	4,267,736,754	181,914,307,989	829,065,579	78,166,324,975	260,080,632,964
2009	5,344,921,706	158,898,484,068	729,381,114	48,900,200,523	207,798,684,591
2010	6,225,562,139	278,055,310,778	0	0	278,055,310,778
2011	15,006,912,442.52	1,129,554,513,909.29	0	0	1,129,554,513,909.29

Appendix two (2.1 to 2.5) shows clearly the full details of subsidy payment via PSF from 2007 to 2011. It shows the amount collected by each marketer on a yearly basis from 2007 to 2011. The appendix also shows number of marketers from 2007 to 2011 as follows:

YEAR	NUMBER
2007	10
2008	23
2009	25
2010	45
2011	116

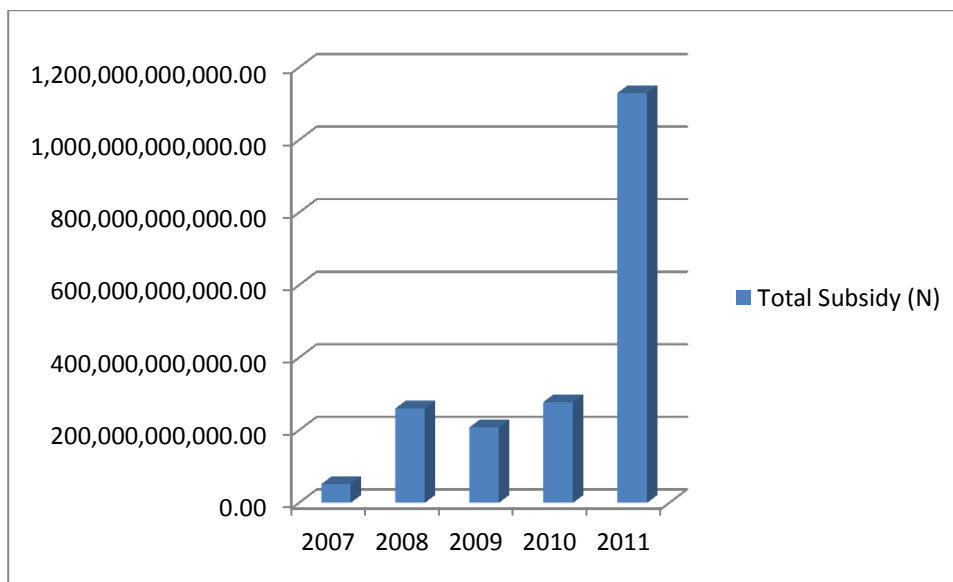
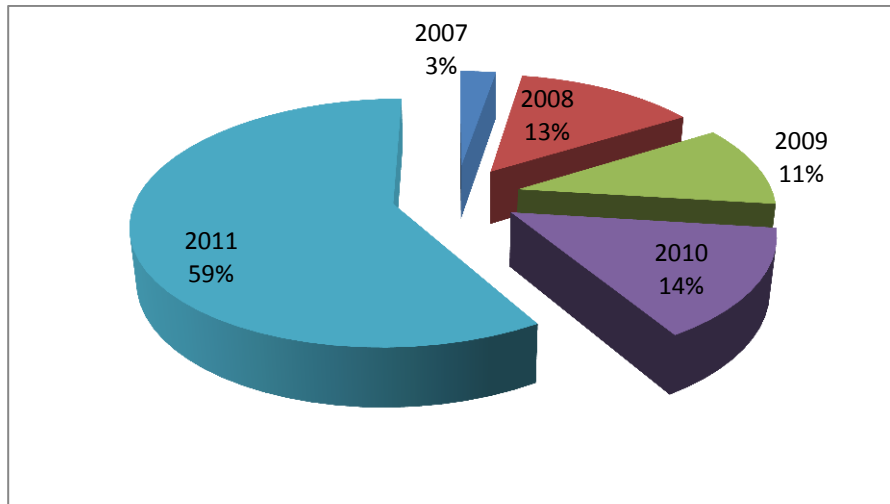


Table 4: SUBSIDY PAYMENT VIA PSF SHOWN IN PERCENTAGE

Year	Total Subsidy (N)	PERCENTAGE (%)
2007	51,388,244,273	2.67
2008	260,080,632,964	13.50
2009	207,798,684,591	10.79
2010	278,055,310,778	14.44
2011	1,129,554,513,909.29	58.61
TOTAL	1,926,877,386,515	100



The pie chart above shows the subsidy payment in percentages from 2007 to 2011. In 2007, subsidy payments constituted 2.67% of total subsidy payment for the period under review amounting to ₦1,926,877,386,515 while 13.5% of it was paid in 2008. There was a drop in the subsidy payment in 2009 while 14.44% of the aggregate figure was paid in 2010. 2011 witnessed an upsurge in subsidy payment which accounts for 58.61% of total subsidy payment from 2007 to 2011. This 58.61% translates to ₦1,129,554,513,909.29.

3.1.4 Subsidy Payment on Household Kerosene (HHK)

It was observed that subsidy was not paid on Household Kerosene (HHK) in 2010 and 2011. The table below shows the quantity and the amount paid as the subsidy from 2007 to 2011.

Table 5: SUBSIDY ON HHK

Year	HOUSEHOLD KEROSENE	
	Quantity (Litres.)	Subsidy Amount
2007	41,824,207	1,958,757,190
2008	829,065,579	78,166,324,975
2009	729,381,114	48,900,200,523
2010	0	0
2011	0	0
TOTAL	1,600,270,900	129,025,282,688

Table 6: SUBSIDY PAYMENT ON PMS

Year	PREMIUM MOTOR SPIRIT	Subsidy Amount (N)
	Quantity (Litres.)	
2007	2,155,738,987	49,429,487,083
2008	4,267,736,754	181,914,307,989
2009	5,344,921,706	158,898,484,068
2010	6,225,562,139	278,055,310,778
2011	13,065,174,401	1,128,913,102,566
TOTAL	31,059,133,987	1,797,210,692,484

The tables above (5 and 6), show that the Federal Government paid huge amounts as subsidy on PMS while lesser amounts were paid on HHK. Between year 2007 and 2009, the total sum of **₦390, 242,279,140** was paid as subsidy on PMS while **₦129, 025,282,688** was paid on HHK.

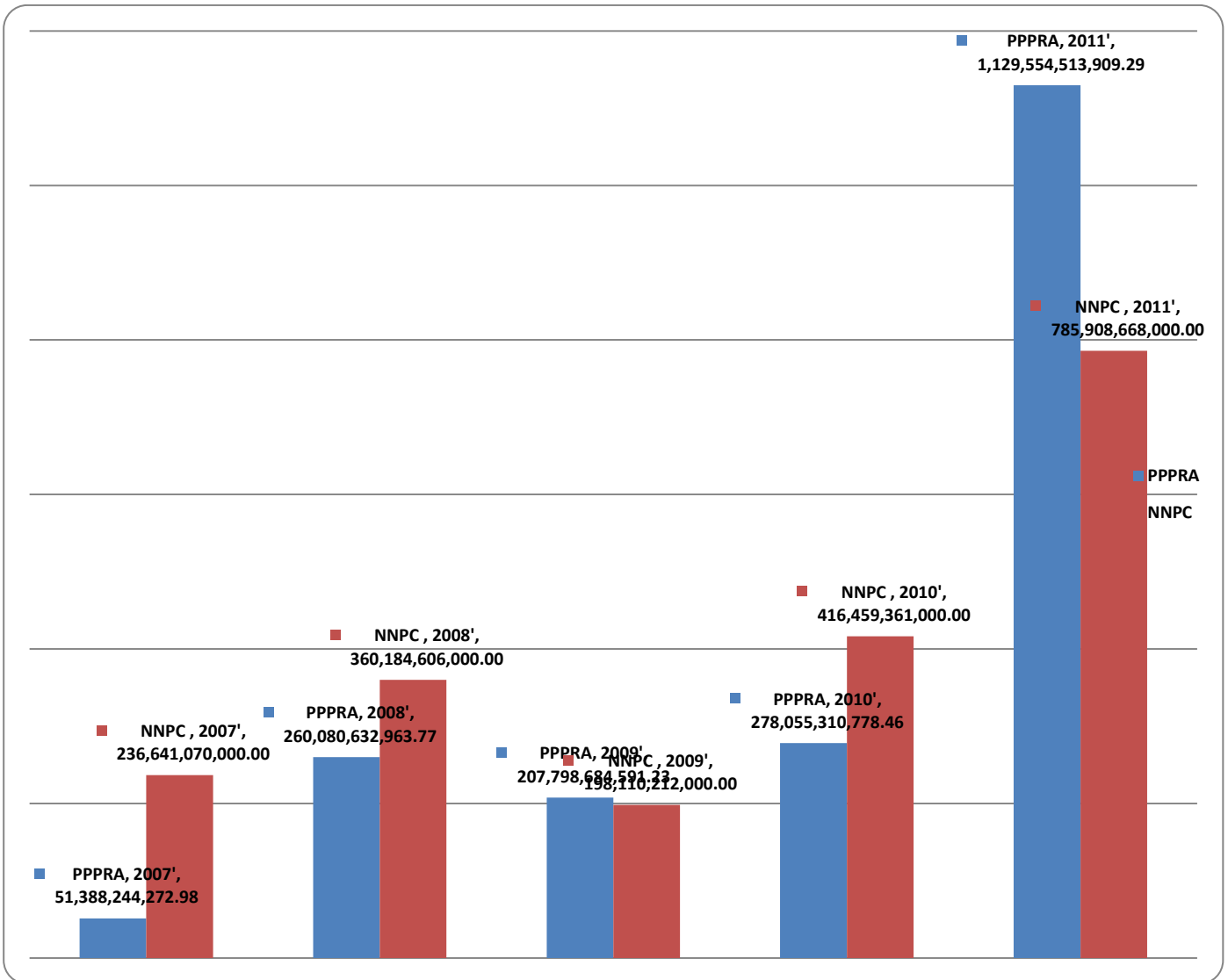
3.1.5 Subsidy Payment by FGN from 2007 To 2011

The table below shows that FGN paid the sum of 3.9 trillion as subsidy from 2007 to 2011. The sum of **₦1,926,877,386,515.73** was paid through PPPRA to the oil marketers while the balance of **₦1,997,303,917,000** was paid by NNPC as subsidy which accounts for 51% of the total subsidy.

The summary of subsidy paid by PPPRA and NNPC is presented below

Table 7: FGN Subsidy Payments

	2007'	2008'	2009'	2010'	2011'	Total
	₦	₦	₦	₦	₦	₦
Subsidy Payment- PPPRA						
a) Premium Motor Spirit	49,429,487,082.71	181,914,307,988.58	158,898,484,068.44	278,055,310,778.46	1,129,554,513,909.29	1,797,852,103,827.48
b) Dual Purpose Kerosene	1,958,757,190.27	78,166,324,975.19	48,900,200,522.79			
Sub- Total	51,388,244,272.98	260,080,632,963.77	207,798,684,591.23	278,055,310,778.46	1,129,554,513,909.29	1,926,877,386,515.73
NNPC subsidy payment	236,641,070,000.00	360,184,606,000.00	198,110,212,000.00	416,459,361,000.00	785,908,668,000.00	1,997,303,917,000.00
Grand Total	288,029,314,272.98	620,265,238,963.77	405,908,896,591.23	694,514,671,778.46	1,915,463,181,909.29	3,924,181,303,515.73
Sources:						
a) PPPRA's summary of PMS supply and payment						
b) NEITI audit report 2007 to 2011						



The histogram above shows that subsidy payment by NNPC was on increase from 2007 to 2010. Year 2011 witnessed high payment of subsidy by PPPRA.

3.2 Subsidy Case Study

Table 8 shows how subsidy is calculated using A- Z Petroleum products Ltd. as a case study.

Table 8: Case Study

MARKETER	PDT	OBSERVED QNTY (LTR)	LANDING COST (N)	EX DEPOT (N)	UNDER/OVER-RECOVERY (N/LTR)	SUBSIDY/OVER-RECOVERY AMOUNT (N)
A-Z PETROLEUM PRODUCTS LTD	PMS	9,601,915.00	112.33	51.80	60.53	581,203,914.95
A-Z PETROLEUM PRODUCTS LTD	PMS	9,572,217.00	112.33	51.80	60.53	579,406,295.01
A-Z PETROLEUM PRODUCTS LTD	PMS	21,649,909.00	112.33	51.80	60.53	1,310,468,991.77
A-Z PETROLEUM PRODUCTS LTD	PMS	27,285,212.00	128.13	51.80	76.33	2,082,680,231.96
A-Z PETROLEUM PRODUCTS LTD	PMS	17,918,750.00	128.13	51.80	76.33	1,367,738,187.50
A-Z PETROLEUM PRODUCTS LTD	PMS	27,750,281.00	145.20	51.80	93.40	2,591,876,245.40
A-Z PETROLEUM PRODUCTS LTD	PMS	20,378,352.50	144.33	51.80	92.53	1,885,608,956.83
A-Z PETROLEUM PRODUCTS LTD	PMS	20,159,130.00	144.40	51.80	92.60	1,866,735,438.00
A-Z PETROLEUM PRODUCTS LTD	PMS	12,749,926.00	127.70	49.51	78.19	996,916,713.94
A-Z PETROLEUM PRODUCTS LTD	PMS	9,415,523.81	122.75	49.51	73.24	689,592,963.84
A-Z PETROLEUM	PMS	10,921,655.51	124.29	49.51	74.78	816,721,399.34

MARKETER	PDT	OBSERVED QNTY (LTR)	LANDING COST (N)	EX DEPOT (N)	UNDER/OVER-RECOVERY (N/LTR)	SUBSIDY/OVER-RECOVERY AMOUNT (N)
PRODUCTS LTD						
A-Z PETROLEUM PRODUCTS LTD	PMS	14,620,184.74	123.34	49.51	73.83	1,079,408,239.35
A-Z PETROLEUM PRODUCTS LTD	PMS	6,936,647.00	122.23	49.51	72.72	504,432,969.84
A-Z PETROLEUM PRODUCTS LTD	PMS	5,314,680.00	123.14	49.51	73.63	391,319,888.40
A-Z PETROLEUM PRODUCTS LTD	PMS	27,044,096.00	122.23	49.51	72.72	1,966,646,661.12
A-Z PETROLEUM PRODUCTS LTD	PMS	8,019,546.00	128.62	49.51	79.11	634,426,284.06
TOTAL		249,338,025.56				19,345,183,381.31

The above table depicts the total amount (Gross - before deduction of PEF bridging allowance and administrative charges due to PPPRA) paid to A-Z Petroleum products Ltd in 2011.

It also shows the quantity imported, the product, landing cost, ex- depot price, under/ over recovery which is the difference between the landing cost and ex- depot price.

4 Audit Reconciliation

4.1 Subsidy Payment

There is an urgent need to carry out reconciliation as the schedules for subsidy payment with the Central Bank of Nigeria statement given for this audit and the audited financial statement do not match. Reconciliation could not be carried out as the officer in charge had other engagements when the exercise was to take place.

The table below shows the details of the payment as captured by the CBN, Audited Account and the Schedules of Subsidy Payment given for this audit on yearly basis from 2007 to 2010.

Table 9: Reconciliation of Payment on Subsidy 2007 - 2010

PETROLEUM PRODUCTS PRICING REGULATORY AGENCY					
RECONCILIATION OF PAYMENT ON SUBSIDY FROM 2007 TO 2010					
	2007'	2008'	2009'	2010'	Total
Payment as per CBN	43,779,609,354.31	145,326,063,800.71	296,110,031,365.46	186,724,410,046.17	671,940,114,566.65
Payment as per Fin stmt.	49,239,187,422.00	142,804,014,791.97	297,109,031,365.00	73,464,096,211.00	562,616,329,789.97
Payment as per Schedules	51,388,244,272.98	260,080,632,963.77	207,798,684,591.23	278,055,310,778.46	797,322,872,606.44
Analysis of differences					
Diff btw CBN stmt. & fin stmt.	(5,459,578,067.69)	2,522,049,008.74	(998,999,999.54)	113,260,313,835.17	109,323,784,776.68
Diff btw CBN & schedule	(7,608,634,918.67)	(114,754,569,163.06)	88,311,346,774.23	(91,330,900,732.29)	(125,382,758,039.79)
Diff btw fin stmt. & schedule	(2,149,056,850.98)	(117,276,618,171.80)	89,310,346,773.77	(204,591,214,567.46)	(234,706,542,816.47)

4.2 Income

A marginal difference of ₦11,301,153.67 in 2007 between the audited account and the CBN statement was observed. This accounts for refunds of overpayment by MRS Oil and Gas. The analysis below shows that in 2008, Audited account and CBN statement are the same.

In the same vein, the difference of ₦1,835,393,491.52 in 2009 was due to an over recovery captured in the Audited Account but did not reflect in the CBN statement. The difference of ₦637,610,178.83 in 2010 calls for reconciliation.

The table below shows the analysis of difference.

Table 10: Reconciliation of Subsidy Income

	RECONCILAITION OF SUBSIDY INCOME				Total
	2007'	2008'	2009'	2010'	
Income as per CBN	49,250,488,588.67	142,804,014,782.31	317,546,516,686.91	143,526,407,096.83	653,127,427,154.72
					-
Income as per Fin stmt.	49,239,187,435.00	142,804,014,782.31	319,381,912,178.43	142,888,796,918.00	654,313,911,313.74
					-
difference	11,301,153.67	-	(1,835,395,491.52)	637,610,178.83	(1,186,484,159.02)

5 Observations and Recommendations

5.1 Key Findings

In the course of putting the report together, the following observations were noted:

1. There has been an amendment to the subsidy payment process – since 2011, the DMO makes the subsidy payments – this jeopardises the established accountability policies of the fund
2. The NNPC deducts its subsidy at source for the domestic crude sale

5.2 Recommendations

1. An audit of the subsidy payment process is urgently required. The doubts and aspersions cast on the system now belies the objective of setting up the PPPRA
2. NNPC should subject its transaction to established channels of subsidy claim in order reinforce the control mechanism as established by the constitution