

# PETROLEUM EQUALIZATION (MANAGEMENT) FUND (PEF) 2012 – 2016



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## 1.0 Introduction

### 1.1 Historical Background

The Petroleum Equalisation Fund (Management) Board was established by Decree No.9 of 1975 (as amended by Decree No. 32 of 1989 ), and was charged with the primary responsibility of reimbursing petroleum marketing companies for any losses suffered by them, solely and exclusive, as a result of sale of petroleum products at uniform prices throughout the nation. There was a need to establish this fund because of the long queues in petrol service stations nationwide due to severe shortages of petroleum products.

The mandate of the Board is to ensure uniform pricing of petroleum products throughout the country by applying the laws of the Federal Republic of Nigeria as they affect the uniform pricing system. The Board must ensure that each existing marketing companies complies with the laws regarding the management of the transportation equalization process in the Oil product marketing value chain.

The source of the Fund is principally from the net surplus Receipts recovered from Oil Marketing Companies i.e. the net surplus from the contribution to the Fund and the Claims from the Fund.

The Board has a Head Office in Abuja, operational Offices in six (6) zones of the Country (Lagos, Kaduna, Enugu, Port Harcourt, Ibadan and Gombe), 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.

### 1.2 Mission Statement

#### **To Marketers:**

To be a prime and transparent organization for the timely 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 approved prices.

#### **To the Public:**

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

### 1.3 Core Values

The Board values are to promote high ethical standards of a responsible public service organization, and are specifically committed to Integrity, Service and Technology through automated system.

### 1.4 Vision Statement

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

### 1.5 Corporate Mandate of PEF (M) B

The corporate mandate of the board includes:

- To ensure that the Uniform Pricing Mechanism works effectively throughout the Country
- To apply the laws of the Federal Republic of Nigeria as they affect the Uniform Pricing system vis-à-vis decree 9 of 1975 (as amended by Decree no 32 of 1989), establishing the fund and the Board, and in ensuring that each marketing company complies with the laws regarding the management of the transportation equalization process.
- To equalize the transportation differentials in oil product marketing.

### 1.6 Contributions to the Fund

For every litre of petroleum transported within Zone 1 and 2 (Zone 1 represents any 50km radius between a receiving depot and a service fuel station while Zone 2 represents 51km to 100km radius between a receiving depot and a service fuel station), an approved allowance rate based on distance covered is built into the price of the product, which the marketer holds in trust on behalf of the consumer, and is required to be turned over to the Fund.

### 1.7 Claims from the Fund

For every litre of product transported from Zone 3 through to Zone 9 ( representing between a 101km and 450km radius between a receiving depot and a service fuel station, the marketer submits claims to the PEF (M) B for the additional transportation cost incurred above the National Transportation Average (NTA). The Board thus, reimburses the marketer for the losses incurred solely and exclusively, for transporting the products for sale at a uniform price in those Zones.

## 1.8 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 claims to complement the Nigeria National Petroleum Corporation 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.

### 1.8.1 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 Receipts 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 unpaid shall be added for each month or part of a month after the date on which payment should have been made.

### 1.8.2 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
- All Claims received at the depots for processing will be ready for payment to marketers at the depot within 37 working days.
- Bridged products transported must be delivered to the receiving depot within stipulated time limit (presently set at 10 days). If exceeded the marketer might not be paid or may be partly paid.
- Marketers are to report any breakdown of vehicle immediately to Petroleum Equalisation Fund (Management) Board receiving depots within the stipulated time limit (48hours). This is done for time allowance in such instances.
- Marketers should make all necessary payments to Petroleum Equalisation Fund (Management) Board and depot owners. There should be an evidence of such payments including National Transportation Average (NTA) allowance.
- 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.)

### 1.8.3 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 (PPMC) depots should have the following attachments:
  - a) Receipt for product payment.
  - (b) DO-5 (name or address change form).
  - (c) Bridging approval from the Pipeline Products Marketing Company
  - (d) Bridging Note also from the 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 (NTA) 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 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 Marketer that attempts to supply misleading information or engage in unwholesome activities etc. shall be sanctioned in accordance with the stiff rules of the Board's enabling Act.

### 1.8.4 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.
- Major marketers are to send their reconciliation officers to PEF not later than 7 days on receipt of such invitation. Major marketers are to sign and return reconciliation certificates within 7 days of receipt.

## 1.9 System of Control

A verification exercise is done on a regular basis by staff of PEF from the department of customer services, which includes verification of the station outlets that has been registered by the marketers by PEF on the Aquila software. (Aquila is the name of the software used in monitoring the transport and proceeds of products from the loading depot to the receiving depot that includes the name of the marketers, the loading depot, quantity of the product in litres, the receiving depot as well as the locations/Zones of the depots). The essence of these verification is to ensure that the station outlets are still functional and in good conditions to store PMS. The Aquila also assists the Board to ensure that the quantity transported by the marketer tallies with the storage capacity of the station service outlet (filling station). Prior to 2011, the government has been paying huge and substantial amounts of money to marketers that could not be reliably attributed to a cause or the money could not be verified or accounted for. This is because PEF could not verify the quantity and the storage capacity of what these marketers are requesting for and the approval process was done manually by just stamping supporting documents that the head of customer Service found insufficient for this material nature of transactions.

As regards the development of Aquila, the Aquila software monitors the delivery from the loading depot to the receiving depot to verify if the quantity and location that the marketers have claimed is equivalent to the receiving depot location and storage capacity. If the marketers decided to do otherwise, the system is automatically programmed to restrict its calculation based on the stated and authorized location and quantity that was approved.

### 1.9.1 Development on Aquila

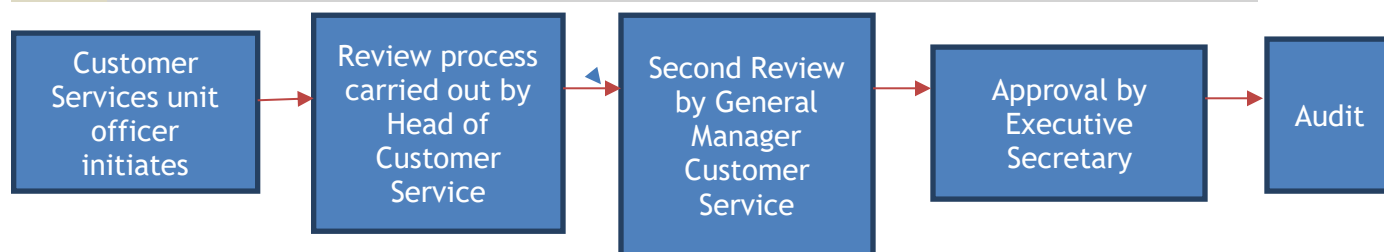
The initial Aquila software was later renamed Aquila One. Aquila one was used to monitor the movement of products from the loading depot to the receiving depot. This was used to track the movement of Products to its receiving depot. Due to the limitation of Aquila 1, the software was modified but still in the pilot stage with about six (6) station outlets as a test-run. The Six station outlets used are the Major marketers.

The new development to this software is called Aquila 2. Aquila 2 would be used to monitor the volume of PMS received and the quantity/quality delivered to each individual station outlet from the receiving depot. It would be able to monitor the sale of PMS from the different station outlet to individual final consumers i.e. the software would be able to identify the reduction in quantity of the PMS in each station as it is being sold to the final consumer. In relations to this upgrade, the tankers and the service stations outlet would have a sensor indicating device which would be connected to the Aquila software to monitor how the whole process ( from the receiving depot to the service station outlet and to the final consumer).

The advantage of this upgrade is that it permanently eradicates artificial fuel scarcity. It would ensure that any marketer requesting for PMS would have exhausted the initial PMS supplied through sales (to avoid hoarding of PMS) before they can receive new supplies of PMS. Also marketers might not be paid (or paid in part) if they don't exhaust the already stored product.



### 1.9.2 REGISTRATION OF MARKETERS/STATION OUTLET PROCESS



Stage One: The customer service department initiates the registration of the marketers on the Aquila. The officer includes all documents necessary for the approval, some of which are the names of the marketer as well as the office address, the CAC number, Copy of the approval to construct filling station (ATO), approval to operate the filling station, Deed of Assignment, etc.

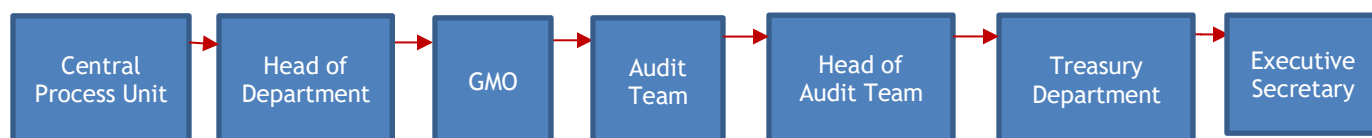
Stage two: All the information are imputed on the Aquila software by the initiating officer, after which the Head of Customer Service will have access to review all these documents retrieved to verify that the documents provided are authentic.

Stage Three: The system automatically gives access to the Customer Service General Manager to carry out his review on a sample basis or 100% review basis.

Stage Four: All marketers' information is then dropped again in a section of the Aquila software in batches; a batch amount of not more than N500, 000,000 in value from all marketers. The system automatically sends marketers from each batch to members of the audit team for their audit verification. Each member does their individual scrutiny for their independent examinations after which the verified documents are submitted back to Aquila, which collates them again in another batch and send them to the Executive Secretary for approval.

Stage Five: The Executive Secretary does the final approval of the marketers and forwards their account details to the Central Bank of Nigeria.

### 1.9.3 Mode of Payment from the Receiving Depot



From the loading depot, the transactions get to the receiving depot as uncompleted transaction, and then to the Central Processing unit as completed transaction on Aquila. A completed transaction refers to the process to which PMS is transported from the loading depot to the receiving depot and then to the Central Processing Unit including all supporting documents relating to the PMS (Petrol Motor Spirit). The Central Processing Unit reviews all these documents and uploads them on Aquila. The process is being checked by the Head of Department in details. The head of department reviews all the documents to ensure accuracy of the documents presented by the marketers. From this stage, the documents are therefore presented in batches in Aquila. The General Manager Operations (GMO) randomly selects transactions of review from each batch of transactions.

After the review by the GMO, the whole batch is sent to the audit team for their

individual examination. All transactions are randomly sent to the different members of the audit team for their independent examination. The documents are verified and collated by the Aquila software in batches and sent to Head of Audit for review. He reviews these documents and sends them to the treasury department to agree on the bank details of these marketers and verify them for final approval. These documents are transferred to the Executive Secretary for final approval and authorization, before they are sent to the Central Bank of Nigeria for payment where the individual marketer's account is credited with amount due to them based on the documents submitted to Petroleum Equalisation Fund (PEF). The marketers have access to the Aquila web-portal to check their outstanding claims from the Government and know what each payment relates to as at and when paid.

## 1.10 Stakeholders Participation

### I. 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 products.
- Avail 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.
- 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.

### II. 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.

### III. 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.

**IV. Petroleum Products Pricing and Regulatory Agency (PPPRA)**

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

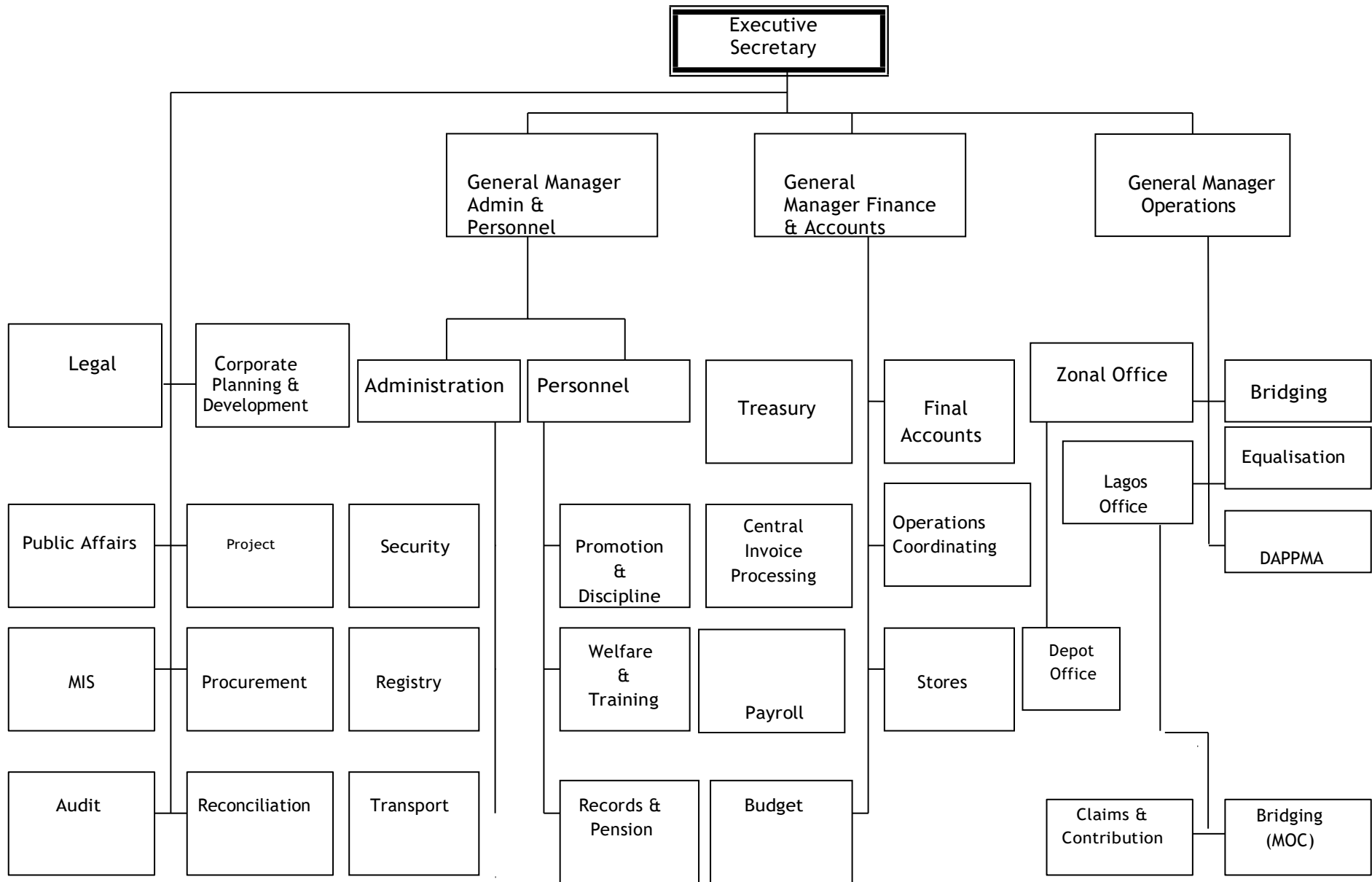
**V. Federal Road Safety Commission (FRSC)**

- To ensure that all the vehicles are registered and that the plates number of the tankers of these marketers are registered with the Commission.
- To give PEF a level of assurance that the tankers claimed by the marketers has been registered and can be considered legitimate.

**1.11 Limitation and Constraints of PEF (M) B**

- 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 reconciliation of Major Marketers liftings and activities as and when due.

1.12 PEF (MB) Organization Structure



### 1.13 Scope of the Work

The scope of work demands the verification 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 executing this work, the following documents were requested:

- A. Schedule of allowances from 2012 to 2016 classified as:
  - i. Major Marketers
  - ii. Pipeline and Petroleum Marketing Company (PPMC)
  - iii. Depot and Petroleum Products Marketers Association (DAPPMA)
- B. Schedule of National Transportation Average (NTA) contribution from Independent Marketers from 2012 to 2016
- C. Bridging Claims from 2012 to 2016 classified as follows:
  - i. Major Marketers
  - ii. Independent Marketers
  - iii. PPMC ( NNPC Mega Stations)
- D. Receipts of bridging allowances and NTA contribution from 2012 to 2016
- E. Payment vouchers of all bridging and NTA claims from 2012 to 2016
- F. Bank Statements to validate allowances and claims
- G. Documented processes and procedures on receipt of allowances and payment of claims.
- H. Audited financial statements from 2012 to 2016.
- I. Organogram
- J. Approved supporting documents for capital payment incurred by the Fund.
- K. Ledger for the Bridging claims, Allowance, NTA and Capital payment to agree to the Schedule.

### 1.14 Exceptions

The following exceptions were noted during the verification exercise:

- Documents for 2012 transactions were not provided. On enquiry, the team was informed that the documents had been moved to the archive and locked in an area that is not accessible as at the time of the exercise. Bank statements for 2012 were also not provided and the team was informed that the Organizations system was hacked and bank statements for the year could not retrieved.
- Differences noted between the amount in the template and the ledger for the year 2012 was yet to be reconciled as at the time of the verification exercise.
- Some transactions in 2015 could not be traced to relevant supporting documents because the documents for those transactions were not made available. (N.B these transactions did not occur in 2015 but were posted in 2015. These transactions were confirmed to occur before the introduction of Aquila)
- 2016 Audited Financial statement was not provided as the team was informed

- that 2016 accounts is yet to be finalised.
- Inability to make photocopy of some documents which could serve as audit evidence

## 1.15 System Documentation

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

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

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

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. This was only received in the year 2012.
- **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 Product 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 that gives right to claim from the Petroleum Support Fund (PSF) subsidy. In most cases, the landing cost is usually higher than the bench mark price approved by PPPRA. However to qualify for the PSF subsidy, the evidence of payment of Bridging Allowance must be presented.

- **National Transportation Average (NTA)**

The Fund was established to equalize the transportation differentials in oil 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 kilometers to be covered in order to claim or contribute to the NTA.

## Approved Freight Rates - Equalisation (NTA)

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

Zones	Distance in kilometers	Old rate (1 <sup>st</sup> March 2011) NTA @ N2.99	New rate- effective (1 <sup>st</sup> January 2016) NTA@ N3.05	Remarks
1	0- 50	(0.94)	(1.00)	Contribution
2	51 - 100	(0.51)	(0.54)	Contribution
3	101 - 150	0.3	0.32	CLAIM
4	151 - 200	0.73	0.77	CLAIM
5	201 - 250	1.36	1.45	CLAIM
6	251 - 300	2.08	2.20	CLAIM
7	301 - 350	2.98	3.16	CLAIM
8	351 - 400	3.67	3.89	CLAIM
9	401 - 450	4.24	4.49	CLAIM

**Table II: Approved Bridging rate - Equalization**

S/N		Amount (N)	Start date	New date
1	Bridging/Riverine	3.95		30 June 2011
2	Bridging/Riverine	6.00	1 July 2011	10 May 2016
3	Bridging/Riverine	4.15	1 June 2016	2 April 2017
4	Bridging/Riverine	6.35	11 May 2016	2 April 2017
5	Bridging/Riverine	7.35	3 April 2017	Till date

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 on the documents.

## 2.0 Financial Flows

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

### 2.1 Summary of Receipts and Payments 2012 to 2016

Table III: Receipts and Payments 2012-2016

	2016	2015	2014	2013	2012	Total
Receipts	N'000	N'000	N'000	N'000	N'000	N'000
Bridging Allowance	-	118,045,425	87,367,577	101,287,682	75,187,322	381,888,006
NTA Contributions	-	2,331	20,543	152,361	1,117,161	1,292,396
Statutory allocations	-	-	-	25,142	96,365	121,507
Interest Received	-	837,369	999,851	1,917,362	398,198	4,152,780
Liquidation of short term investment with commercial banks	-	34,000,000	17,000,000	32,300,000	-	83,300,000
Returns (Interest) and principal from investment in treasury bills	-	-	4,000,000	4,971,494	-	8,971,494
Other Receipts	-	190,966	217,517	923,525	8,409	1,340,417
CBN TSA unreconciled receipts	-	17,754,989	-	-	-	17,754,989
Refund of bank guarantee	-	-	-	81,519	-	81,519
<b>TOTAL RECEIPTS</b>	-	<b>170,831,080</b>	<b>109,605,488</b>	<b>141,659,085</b>	<b>76,807,455</b>	<b>498,903,108</b>
<b>PAYMENTS</b>						
Bridging and National Transport Allowance (NTA) claims	-	78,036,255	71,928,564	101,374,469	52,044,555	303,383,843
Capital Payments	-	412,707	822,442	3,625,431	452,138	5,312,718
Staff Expenses And Benefits	-	7,832,885	7,164,124	5,739,710	4,155,162	24,891,881
Administrative Expenses	-	1,339,027	1,250,743	1,198,451	899,605	4,687,826
Statutory Allocation Refunded	-	-	-	43,143	6,037	49,180
Statutory refund of interest on bank deposit	-	82,264	421,281	609,877	-	1,113,422
Bank Guarantee	-	-	-	-	46,850	46,850



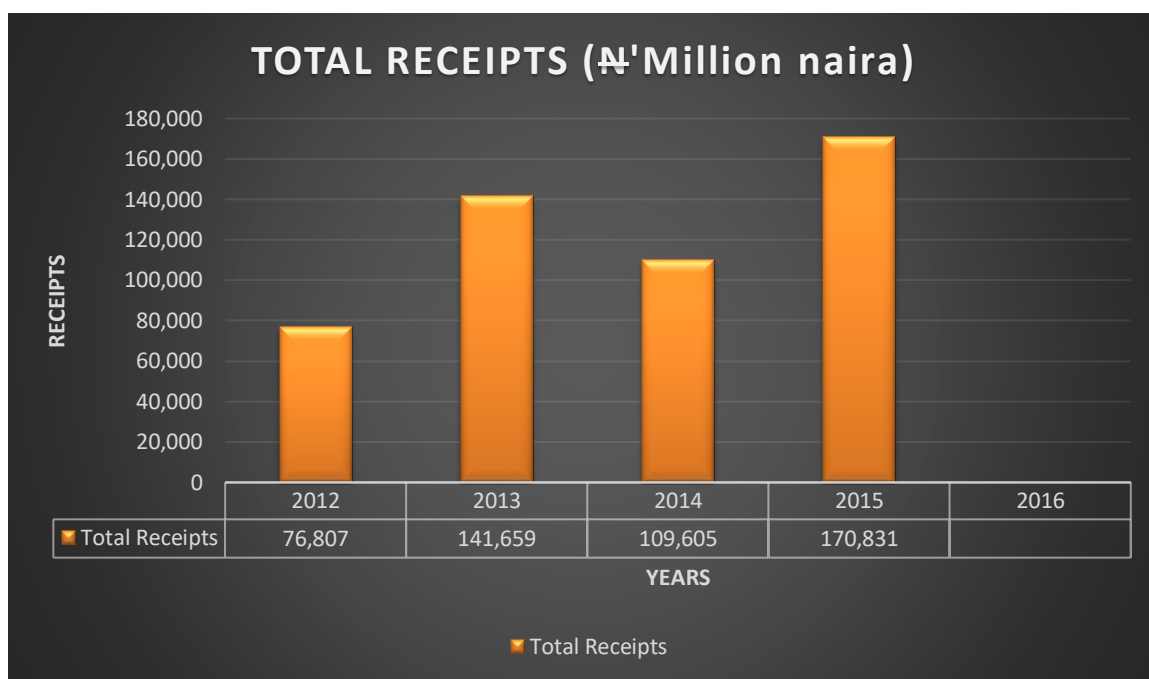
	2016	2015	2014	2013	2012	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Purchase Of Treasury Bill	-	-	-	4, 245, 342	4,485,488	8, 730, 830
Short Term Investment with commercial banks	-	34, 003, 058	17, 000, 000	17, 300, 000	15,000,000	83,303,058
CBN TSA unreconciled deductions	-	794, 215	-	-	-	794,215
<b>TOTAL PAYMENTS</b>	-	<b>122,500,411</b>	<b>98,587,154</b>	<b>134,136,423</b>	<b>77,089,835</b>	<b>432,283,823</b>
<b>Excess of Cash Receipt Over Cash Payment</b>	-	<b>48,330,669</b>	<b>11,018,334</b>	<b>7,552,662</b>	<b>(282,380)</b>	<b>66,401,762</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015

## 2.2 Receipts from 2012 to 2016

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Bridging Allowance	-	118, 045,425	87,367,577	101,287,682	75,187,322	381,888,006
NTA Contributions	-	2,331	20,543	152,361	1, 117, 161	1,292,396
Statutory Allocation	-	-	-	25, 142	96, 365	121,507
Interest Received	-	837, 369	999, 851	1, 917, 362	398,198	4,152,780
Liquidation of short term investment with commercial banks	-	34,000,000	17,000,000	32,300,000	-	83,300,000
Proceed from Treasury Bills on Maturity	-	-	4,000,000	4,971,494	-	8,971,494
Other Receipts	-	190, 966	217,517	923, 525	8,409	1,340,417
Refund of bank guarantee	-	-	-	81,519	-	81,519
CBN TSA unreconciled receipts	-	17, 754, 989	-	-	-	17,754,989
<b>Total Receipts</b>	-	<b>170,831,080</b>	<b>109,605,488</b>	<b>141,659,085</b>	<b>76,807,455</b>	<b>498,903,108</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015



From table III above and the bar chart, Total receipts for the years under review was =N=498.90 billion. Receipts in 2012 was =N=76.8 billion. It increased by 84% to =N=141.66 billion in 2013 but decreased by 23% to =N=109.6 billion in 2014. Receipts also increased by 56% in 2015 to =N=170.83 billion. Financial Statement for the year 2016 is yet to be finalized and therefore was not included in the analysis above.

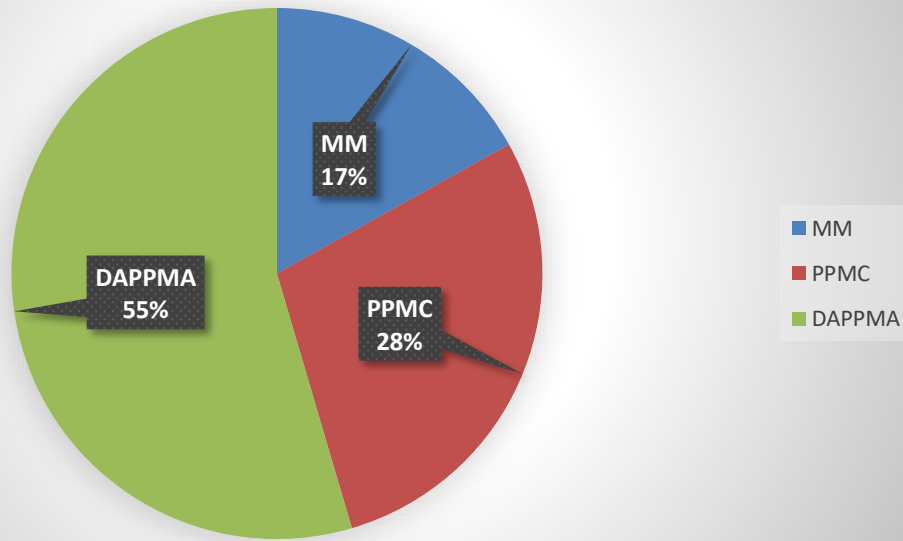
### 2.3 Bridging Allowance

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. This bridging allowance rate constitutes a component in the petroleum price. The importers/marketers are grouped into three categories: Major Marketers, Pipeline and Petroleum Marketing Company (PPMC) and Depot & Petroleum Product Marketers Association (DAPPMA). Receipts from Bridging allowance for the years under review was =N=381.8 billion

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Major Marketers (MM)	-	18,690,883	17,505,784	17,347,604	11,072,003	64,616,274
Pipeline and petroleum marketing company (PPMC)	-	27,400,175	24,487,286	35,270,979	21,768,327	108,926,767
Depot & Petroleum Product Marketers Association (DAPPMA)	-	71,954,367	45,374,507	48,669,099	42,346,992	208,344,965
		118,045,425	87,367,577	101,287,682	75,187,322	381,888,006

Source: PEF (M) B Audited Financial Statements 2012 to 2015

## Analysis of Income Source



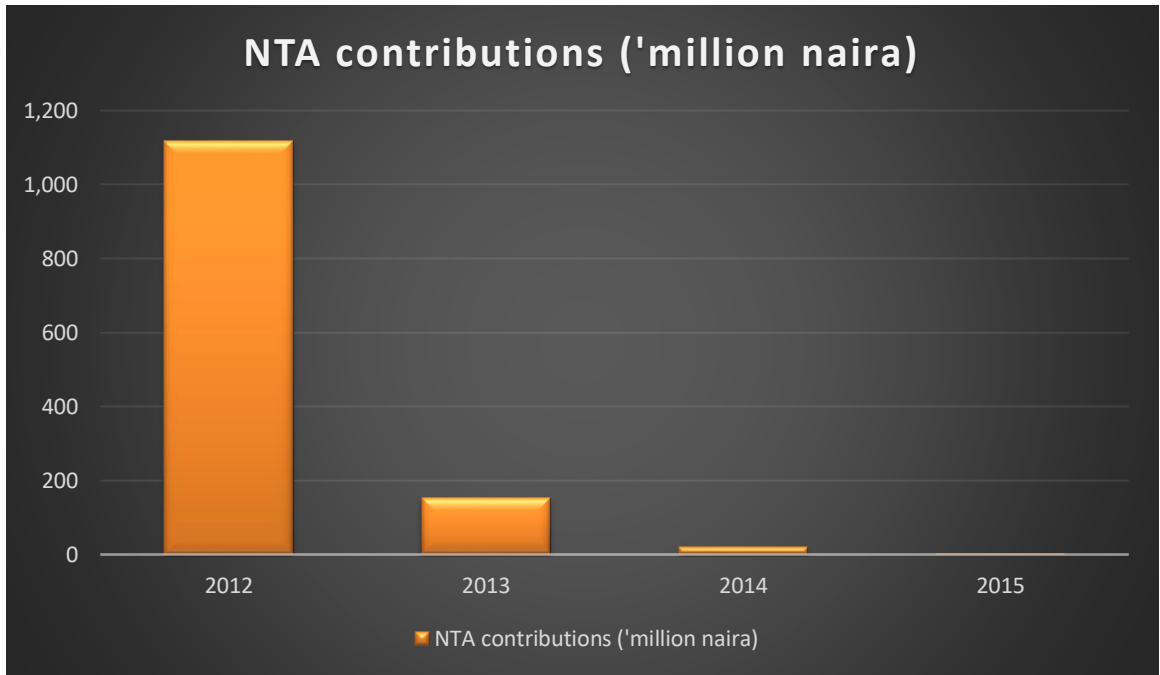
During the period under review, Receipts from Major Marketers (MM) was =N=64.6 billion representing 17% of total Bridging Allowance, Pipeline and Petroleum Marketing Company (PPMC) contributed =N=108.9 billion representing 28% of total allowance while Depot & Petroleum Product Marketers Association (DAPMA) contributed =N=208.3 billion representing 55% of total allowance.

### 2.4 National Transportation Average (NTA)

The Fund was established to reimburse marketers' on losses incurred on transportation of Petroleum Products and their sale at government approved prices in Nigeria. Factored into the uniform pump price of Petroleum Products is also an allowance for transportation known as the National Transportation Average (NTA) Allowance. NTA could be in form of contributions from marketers whose petrol station are closer to the depot in which they contribute an agreed price to the fund while the marketers whose filling station are further away 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=1.3 billion as shown in the table below:

Year	=N=000
2012	1,117,161
2013	152,361
2014	20,543
2015	2,331
2016	-
Total	1,292,396

Source: PEF (M) B Audited Financial Statements 2012 to 2015



Contribution from NTA was =N=1.1billion in 2012, the contribution decreased drastically to =N=152 million and to N20.5million in 2013 and 2014 respectively and again to N2.3million in 2015. The decrease was as a result of the net effect application between the NTA contributions and NTA claims that was in operation from the year 2013. This led to the decrease in the NTA contributions by marketers in subsequent years.

## 2.5 Statutory Allocation

The PEF (M) B receives statutory allocation from the Federal Government. From our review, this allocation comes in the form of Government intervention and does not occur often. It is received by the Fund based on request stating the purpose for which the money would be used for. There was not allocation from the year 2014 to 2016 because the Fund was liquid enough to carter for their operation expenses and they also had returns from their investment. During the years under review, the Agency received the sum of =N=121.5 million as shown in the table below:

Year	=N=000
2012	96,365
2013	25,142
2014	-
2015	-
2016	-
TOTAL	121,507

Source: PEF (MB) Audited Financial Statements 2012 to 2015

## 2.6 Interest Received

During the period under review, the Agency received the sum of =N=4.1billion as interest on current account, Deposit with commercial banks and Matured treasury bills as shown in the table below:

**Table IV: Interest Received 2012 - 2016**

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Bank Current Account	-	512,220	340,849	416,967	-	1,270,036
Bank Deposit with commercial banks	-	325,149	233,883	797,275	398,198	398,198
Matured Treasury Bills	-	-	425,119	703,120	-	1,128,239
<b>TOTAL</b>	-	837,369	999,851	1,917,362	398,198	4,152,780

Source: PEF (M) B Audited Financial Statements 2012 to 2015

## 2.7 Other Receipts

Other receipts include; refund on Pioneer Consumer Car Finance Scheme, proceeds from the disposal of assets, and others as shown in the table below:

**Table V: Other Receipts**

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Pioneer Consumer Car Finance Scheme	-	157,128	209,067	906,838	-	1,273,033
Proceeds from Assets Disposal	-	1,943	4,164	1,960	7,084	15,151
Others	-	31,895	4,286	14,727	1,325	52,233
<b>TOTAL</b>	-	190,966	217,517	923,525	8,409	1,340,417

Source: PEF (MB) Audited Financial Statements 2012 to 2015

## 2.8 Liquidation of short term investment in Commercial Bank

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 =N=2 billion through defunct Intercontinental Bank Plc. The receipt represents repayment of the fund during the years under review.

## 3.0 PAYMENTS

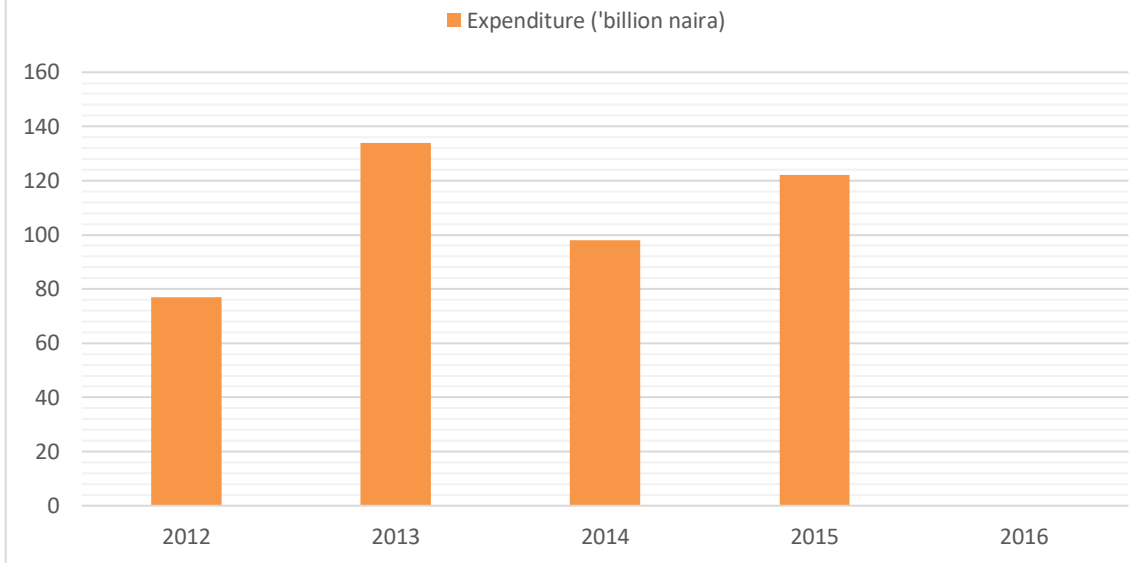
Summary of Payments: 2012-2016

Table VI: Payments

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Bridging and National Transport Allowance (NTA) claims	-	78,036,255	71,928,564	101,374,469	52,044,555	303,383,843
Capital Payments	-	412,707	822,442	3,625,431	452,138	5,312,718
Staff Expenses And Benefits	-	7,832,885	7,164,124	5,739,710	4,155,162	24,891,881
Administrative Expenses	-	1,339,027	1,250,743	1,198,451	899,605	4,687,826
Statutory Allocation Refunded	-	-	-	43,143	6,037	49,180
Statutory refund of interest on bank deposit	-	82,264	421,281	609,877	-	1,113,422
Bank Guarantee	-	-	-	-	46,850	46,850
Purchase Of Treasury Bill	-	-	-	4,245,342	4,485,488	8,730,830
Short Term Investment with commercial banks	-	34,003,058	17,000,000	17,300,000	15,000,000	83,303,058
CBN TSA unreconciled deductions	-	794,215	-	-	-	794,215
<b>TOTAL PAYMENTS</b>	-	<b>122,500,411</b>	<b>98,587,154</b>	<b>134,136,423</b>	<b>77,089,835</b>	<b>432,313,823</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015

## Payments ('billion naira)



Payments in 2012 was =N=77.1 billion, and it increased by 74% in 2013 to =N=134.1 billion. It decreased to =N= 98.5billion or by 26% in 2014 and then increased to =N=122.5 billion or by 24% in 2015. 2016 data is yet to be provided.

### 3.1 Petroleum Equalisation Claims

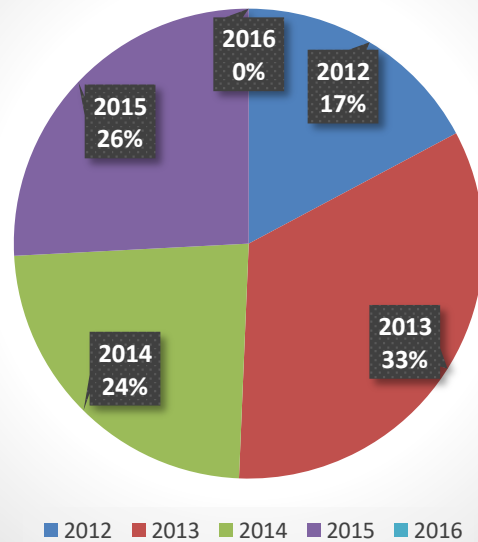
The Agency paid Petroleum Equalisation claims of =N=303.38 billion to Major Marketers, NNPC Mega Stations and Independent Marketers during the years under review as shown in the table below:

**Table VII: Total Claims Paid 2012- 2015**

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Major Marketers (MM)	-	24,206,565	65,389,608	85,897,728	9,415,629	184,909,530
Independent Marketers)	-	53,829,690	6,538,956	15,476,741	42, 628,926	118,474,313
<b>TOTAL</b>	-	<b>78,036,255</b>	<b>71,928,564</b>	<b>101,374,469</b>	<b>52,044,555</b>	<b>303,383,843</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015

## NTA claims



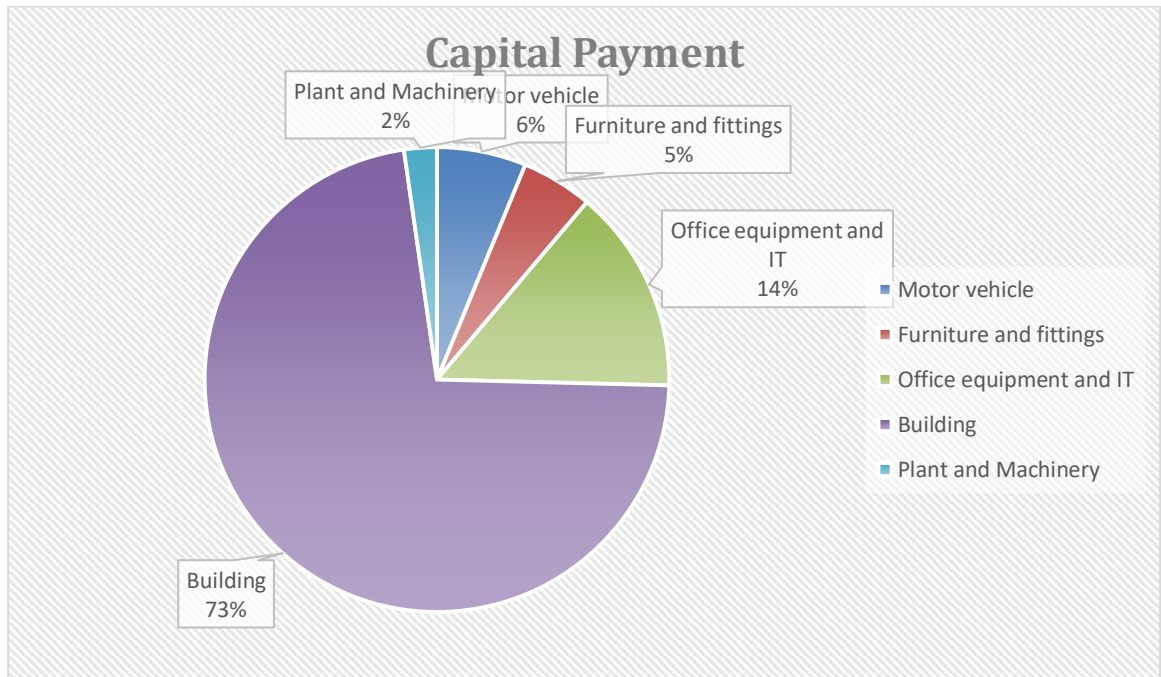
During the years under review, claims paid to Independent Marketers was =N=118.4 billion representing 39% of total claims paid, Major Marketers were paid =N=184.9 billion representing 61% of total claims paid

**Table VIII: Capital Payments**

	2016 =N=000	2015 =N=000	2014 =N=000	2013 =N=000	2012 =N=000	Total =N=000
Motor Vehicles	-	69,212	23,143	20,605	217,379	330,339
Furniture and Fittings	-	186,263	77,094	-	-	263,357
Office and IT Equipment	-	153,257	211,676	156,326	234,759	756,018
Building	-	-	393,470	3,448,500	-	3,841,970
Plant and Machinery	-	3,975	117,059	-	-	121,034
<b>TOTAL</b>	-	<b>412,707</b>	<b>822,442</b>	<b>3,625,431</b>	<b>452,138</b>	<b>5,312,719</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015





In terms of Capital Payments by the PEF, a larger portion of capital payments for the years under review relates to building. This is because of the acquisition of building during the year 2013, currently used as its permanent office.

### 3.2 Staff Expenses and Benefits

Table IX: Staff Expenses and Benefits

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Salaries and Wages	-	6,274,996	5,957,585	4,792,355	3,559,048	20,583,984
Transfer Benefits	-	190,824	355,257	61,132	2,206	609,419
Staff Training	-	69,514	95,252	133,521	40,125	338,412
Pension and other staff cost	-	1,297,552	756,031	752,702	553,783	3,360,068
<b>TOTAL</b>	-	<b>7,832,885</b>	<b>7,164,124</b>	<b>5,739,710</b>	<b>4,155,162</b>	<b>24,891,883</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015

### 3.3 Administrative Expenses

Table X: Administrative Expenses

	2016	2015	2014	2013	2012	Total
	=N=000	=N=000	=N=000	=N=000	=N=000	=N=000
Entertainment and hospitality	-	8,150	2,127	24,771	5,640	40,688
stationery and printing	-	22,230	33,059	18,442	12,347	86,078
Transport and traveling	-	142,343	227,673	233,850	204,333	808,199
Subscription	-	245,962	240,924	339,878	1,685	828,449
Repairs and maintenance	-	189,221	101,873	34,769	98,166	424,029
Motor and expenses	-	26,832	15,570	9,137	6,127	57,666
utility	-	16,907	9,550	9,224	44,497	80,178
Insurance and License	-	65,449	87,914	51,846	78,593	283,802
professional fees	-	147,077	46,994	70,467	48,740	313,278
rents and rates	-	98,413	38,404	27,165	69,420	233,402
VAT and WHT	-	242,407	254,642	88,767	79,995	665,811
Bank Charges	-	10,282	1,785	4,304	9,546	25,917
Postage and telephone	-	14,150	16,188	71,974	47,862	150,174
Generator expenses	-	-	15,848	13,681	14,299	43,828
Publicity and advertisements	-	28,303	35,871	27,214	60,052	151,440
others	-	81,301	122,321	172,962	118,303	494,887
<b>TOTAL</b>	<b>-</b>	<b>1,339,027</b>	<b>1,250,743</b>	<b>1,198,451</b>	<b>899,605</b>	<b>4,687,826</b>

Source: PEF (MB) Audited Financial Statements 2012 to 2015

## 4.0 Observations and Recommendations

### 4.1 Observations

1. **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.
2. **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.
3. **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.
4. **Inability to trace marketers payment**  
When a marketer makes payment to the Fund resulting from the outstanding amount due from, the Fund does not have a system to verify what transactions the amount paid relates to. Detailed description is also not included in the bank statement.
5. **Inability for the Fund to enforce collection of bridging allowance**  
With emphasis on NNPC; the fund finds it extremely difficult to ensure that NNPC pays the amount owe to the FUND and as a result, the FUND has huge amount receivables from NNPC for an accumulated number of years.
6. **Inability to identify the amount balances due from each marketers**  
We observed that the Fund could not categorically ascertain the total amount due from each marketer.

### 4.2 Recommendations

- We recommended that the utilization of the Fund's resources be differentiated between primary activities, which include settlement of claims and receipt of NTA contributions from the conventional administrative activities for management of Fund expenses.
- We recommend that management of PEF (M) B should have an aging analysis stating the period to which a marketer can be indebted. After these periods, we recommend that the management should not honor any claims due to independent or major oil marketing company until that company settles all previous indebtedness to PEF (M) B.
- Management should have a comprehensive schedule showing the list of marketers as well as the amount due from each marketer.
- Competent staff should be responsible for reconciling the amount paid by the marketers to the transactions to which the amount was due.