ANALYSIS OF PWC FORENSIC AUDIT OF NNPC (2012-2013)

Centre for Fiscal Transparency and Public Integrity

March 2025

Summary

The PwC forensic audit of NNPC (2012-2013) uncovered significant financial discrepancies and governance issues. Total crude oil revenue for the period was $69.34 billion, with $50.81 billion remitted to the Federation Account and $12.23 billion withheld due to unauthorized deductions for subsidies, pipeline maintenance, and other expenses. NNPC illegally deducted $3.38 billion in kerosene subsidies, despite a 2009 directive to discontinue it, and duplicated or overstated subsidy claims by $98 million. Additionally, $5.11 billion in NPDC revenues were not remitted, and only $100 million of a $1.85 billion oil asset transfer was paid. Weak reconciliation systems, incomplete records, and reliance on internal NNPC data compounded the financial discrepancies. The report urged comprehensive reforms, including restructuring NNPC's operational model, enforcing independent verification of deductions, and establishing clear legal frameworks to improve transparency, accountability, and fiscal management.

The allegations against NNPC as outlined in the PwC Investigative Forensic Audit Report (2012-2013)

1. **Unremitted Crude Oil Revenue** - NNPC was alleged to have lifted $65 billion worth of crude oil on behalf of the Federal Government between January 2012 and July 2013 but only remitted $15.2 billion, leaving $49.8 billion outstanding.
2. **Revenue Shortfalls** - NNPC allegedly retained or deducted funds meant for the Federation Account without proper remittance. Discrepancies were observed in the total revenue reported, including under-reporting of revenue by the Senate Reconciliation Committee.
3. **Excessive Deductions for Subsidies** - Allegations of duplicated and overstated subsidy claims for both PMS (Petrol) and DPK (Kerosene): Duplicated discharges for PMS and DPK resulted in over-claims. Overstated subsidy payments due to errors in PPPRA's pricing computation.
4. **Unauthorized Subsidy on Kerosene (DPK)** - Alleged continuation of DPK subsidies despite a Presidential directive in 2009 to discontinue the subsidy, with no subsequent legal instrument to justify it. DPK subsidy payments were not budgeted for or officially appropriated in the 2012 and 2013 Federal budgets.
5. **Withheld Revenues by NPDC (Nigerian Petroleum Development Company)** - Allegations of $5.11 billion in unremitted NPDC revenues, covering proceeds from crude oil sales, taxes, and royalties. Transfer of oil leases to NPDC (valued at $1.85 billion) with only $100 million paid, raising concerns of underpayment and lack of remittance.

6. **Under-reporting of Third-Party Financing Arrangements** - Mobil Producing Nigeria Limited and Total E&P allegedly remitted more revenue than was reported by NNPC, leading to an under-reporting of $0.43 billion.

7. **Unauthorized Cost Deductions** - Alleged improper deductions by NNPC for: Pipeline maintenance and management costs: $2.81 billion in understated costs were revealed after initial submissions to the Senate. Crude oil losses: NNPC valued losses using a fixed rate of $100 per barrel rather than market prices, leading to misreporting.

8. **Pricing and Sales Discrepancies** - NNPC allegedly sold DPK at N40.90 per litre, exceeding the official ex-depot price of N34.51 per litre, with unexplained charges added.

9. **Mismanagement and Weak Internal Controls** - Allegations of inadequate accounting and reconciliation systems: Over-reliance on NNPC's internal data without independent verification. Conflicts of interest due to NNPC's dual role as a self-funding entity and the main revenue source for the Federation.

The Audit Response to the Allegations against NNPC as outlined in the PwC Investigative Forensic Audit Report (2012-2013)

1. **On Unremitted Crude Oil Revenue**
    - Total crude oil revenue generated was $69.34 billion, not $67 billion as reported earlier.
    - Total remittance to the Federation Account was $50.81 billion, not $47 billion as stated by the Reconciliation Committee.
    - A potential excess remittance of $0.74 billion was identified, indicating NNPC had liabilities to third parties.
2. **On Revenue Shortfalls**
    - NNPC withheld $12.23 billion in domestic crude revenue due to operational and subsidy costs:
    - $8.70 billion verified for PMS and DPK subsidy payments.
    - $0.49 billion for pipeline maintenance and management costs.
    - $0.83 billion for crude oil and product losses.
    - $2.81 billion in other costs not directly related to domestic crude.
3. **On Excessive Deductions for Subsidies**
    - Duplicated subsidy claims:
    - PMS: $23.95 million in duplicated discharges.
    - DPK: $39.84 million in duplicated discharges.
    - Over-statement of PMS subsidy: $36.05 million due to PPPRA applying outdated prices.
    - Overcharge of $205 million related to discrepancies in DPK price adjustments.
4. **On Unauthorized Subsidy on Kerosene (DPK)**
    - Despite a 2009 Presidential directive to discontinue kerosene subsidies, $3.38 billion was spent on DPK subsidies during the review period.
    - There was no official legal backing or appropriation for these subsidies.
5. **On Withheld Revenues by NPDC**
    - NPDC withheld $5.11 billion from the Federation Account for crude oil sales and taxes.
    - Oil leases valued at $1.85 billion were transferred to NPDC, but only $100 million was paid.
    - $863 million in Petroleum Profit Tax (PPT) and $839 million in royalties were paid by NPDC but not captured by the Reconciliation Committee.
6. **On Under-reporting of Third-Party Financing Arrangements**
    - An additional $0.43 billion in third-party financing revenue was identified.
    - $1.158 billion in remittances was made but not disclosed by the Reconciliation Committee.
7. **On Unauthorized Cost Deductions**
    - Pipeline maintenance and management costs were understated in NNPC's initial submission. An additional $2.81 billion was later disclosed.
    - NNPC valued crude oil losses using a fixed rate of $100 per barrel instead of market prices, leading to a $73.85 million discrepancy.
8. **On Pricing and Sales Discrepancies**
    - DPK was sold at N40.90 per litre, exceeding the official ex-depot price of N34.51 per litre, with unexplained charges of N0.24 per litre.
9. **On Mismanagement and Weak Internal Controls**
    - NNPC's accounting and reconciliation systems were found to be weak, with significant discrepancies in data from different government agencies.
    - NNPC's conflicting roles as a self-funding entity and primary revenue source for the Federation created a lack of transparency.

General findings from the PwC Investigative Forensic Audit Report on the Nigerian National Petroleum Corporation (NNPC) for January 2012 to July 2013

1. **Total Crude Oil Revenue Misstated -** Actual revenue generated from crude oil liftings was \$69.34 billion, which was \$2.34 billion higher than the Senate Reconciliation Committee's figure of \$67 billion.
2. **Under-Reported Cash Remittances -** Total cash remitted to the Federation accounts was \$50.81 billion, \$3.81 billion more than the reported \$47 billion.
3. **Potential Excess Remittance -** A potential excess remittance of \$0.74 billion was identified, suggesting NNPC used third-party liabilities to bridge operational costs.
4. **Subsidy Over-Claims -** Subsidy over-claims totaling \$0.98 billion were identified, including:
   - \$23.95 million duplicated subsidy claims for PMS (Petrol).
   - \$39.84 million duplicated subsidy claims for DPK (Kerosene).
   - \$36.05 million over-statement in PPPRA's PMS subsidy payment advice due to outdated pricing.
5. **Kerosene Subsidy Irregularities -** Despite a 2009 Presidential directive to stop DPK subsidies, \$3.38 billion was paid in DPK subsidies without legal authorization or proper budgetary appropriation.
6. **NPDC Withheld Revenue -** \$5.11 billion in NPDC revenues from crude oil sales was withheld without remittance to the Federation Account.
7. **Unpaid Oil Leases by NPDC -** Oil leases transferred to NPDC were valued at \$1.85 billion, but only \$100 million was paid, leaving \$1.75 billion unpaid.
8. **Under-Valuation of Third-Party Revenue -** Third-party financing revenue was under-reported by \$0.43 billion, with total revenue being \$2.43 billion instead of the reported \$2 billion.
9. **Undisclosed Third-Party Remittances -** \$1.158 billion in third-party financing remittances was made but not disclosed in the Reconciliation Committee's report.
10. **Crude Oil Loss Valuation Errors -** NNPC used a fixed rate of \$100 per barrel to value crude oil losses instead of using monthly Platts prices, resulting in a \$73.85 million discrepancy.

11. **Total Crude Oil Revenue Misstated -** Actual revenue generated from crude oil liftings was \$69.34 billion, which was \$2.34 billion higher than the Senate Reconciliation Committee's figure of \$67 billion.
12. **Under-Reported Cash Remittances -** Total cash remitted to the Federation accounts was \$50.81 billion, \$3.81 billion more than the reported \$47 billion.
13. **Potential Excess Remittance -** A potential excess remittance of \$0.74 billion was identified, suggesting NNPC used third-party liabilities to bridge operational costs.
14. **Subsidy Over-Claims -** Subsidy over-claims totaling \$0.98 billion were identified, including:
   - \$23.95 million duplicated subsidy claims for PMS (Petrol).
   - \$39.84 million duplicated subsidy claims for DPK (Kerosene).
   - \$36.05 million over-statement in PPPRA's PMS subsidy payment advice due to outdated pricing.
15. **Kerosene Subsidy Irregularities -** Despite a 2009 Presidential directive to stop DPK subsidies, \$3.38 billion was paid in DPK subsidies without legal authorization or proper budgetary appropriation.
16. **NPDC Withheld Revenue -** \$5.11 billion in NPDC revenues from crude oil sales was withheld without remittance to the Federation Account.
17. **Unpaid Oil Leases by NPDC -** Oil leases transferred to NPDC were valued at \$1.85 billion, but only \$100 million was paid, leaving \$1.75 billion unpaid.
18. **Under-Valuation of Third-Party Revenue -** Third-party financing revenue was under-reported by \$0.43 billion, with total revenue being \$2.43 billion instead of the reported \$2 billion.
19. **Undisclosed Third-Party Remittances -** \$1.158 billion in third-party financing remittances was made but not disclosed in the Reconciliation Committee's report.
20. **Crude Oil Loss Valuation Errors -** NNPC used a fixed rate of \$100 per barrel to value crude oil losses instead of using monthly Platts prices, resulting in a \$73.85 million discrepancy.

General findings from the PwC Investigative Forensic Audit Report on the Nigerian National Petroleum Corporation (NNPC) for January 2012 to July 2013

21. **Additional Pipeline Costs -** After initial submissions, NNPC disclosed an additional $2.81 billion in pipeline maintenance and management costs.

22. **Pricing Discrepancy in Kerosene Sales -** NNPC sold DPK at N40.90 per litre, exceeding the official ex-depot price of N34.51 per litre, with unexplained charges of N0.24 per litre.

23. **Mismanagement of Domestic Crude Proceeds -** NNPC incurred $12.97 billion in costs from domestic crude oil revenue, with the largest portion allocated to subsidies:

- PMS and DPK subsidies: $8.70 billion.
- Crude and product losses: $0.83 billion.
- Other unexplained costs: $2.81 billion.

24. **Unpaid Petroleum Taxes and Royalties -** NPDC made self-assessed payments of $863 million to FIRS and $839 million to DPR for royalties, but these amounts were not captured in the Reconciliation Committee's report.

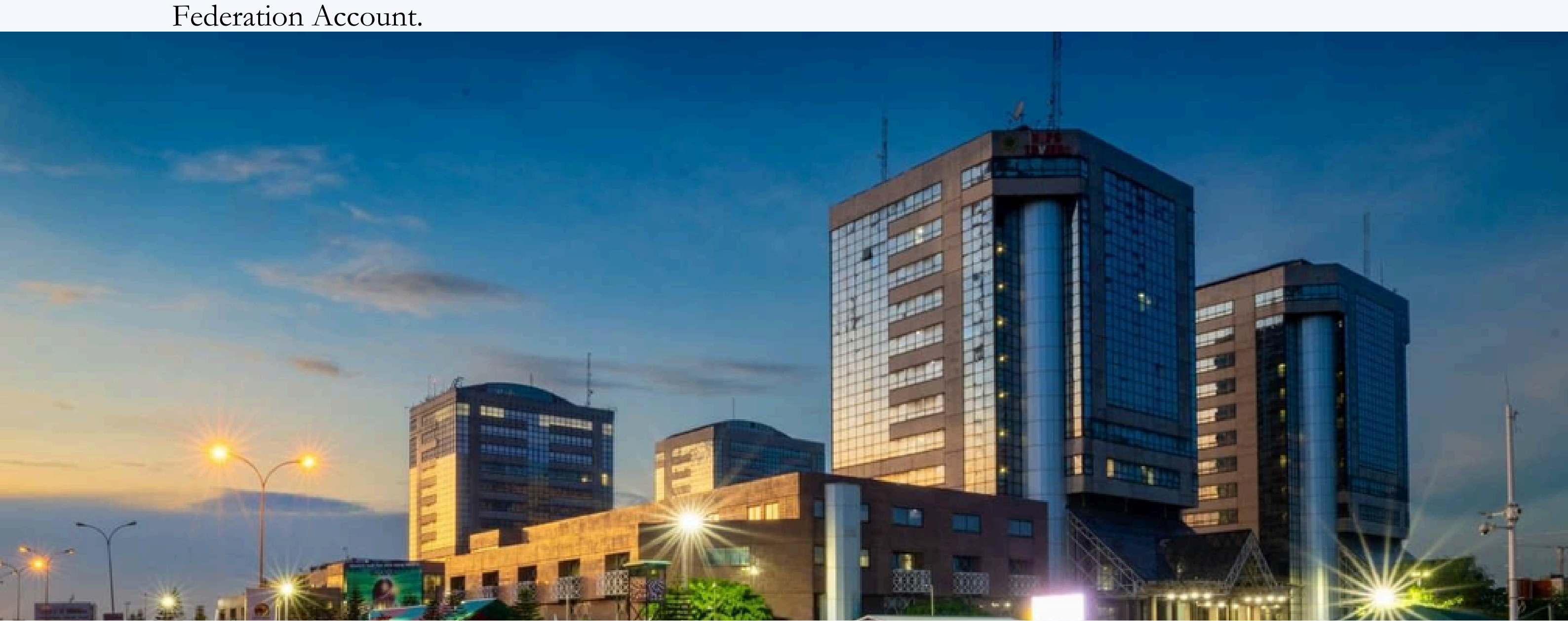
25. **Poor Record-Keeping and Reconciliation -** The accounting and reconciliation system for crude oil revenues was found to be inaccurate and weak, with significant discrepancies across different agencies.

26. **Over-Reliance on NNPC's Data -** The audit revealed that government agencies overly relied on data produced by NNPC without sufficient independent verification or audit.

27. **Revenue Discrepancies for NPDC Liftings -** NNPC reported NPDC liftings as $6 billion, but the actual figure was $6.82 billion, resulting in an under-recognition of $0.82 billion.

28 **Conflict of Interest in NNPC's Operations -** NNPC's dual role as a self-funding entity and the main revenue contributor to the Federation created a conflict of interest, undermining transparency.

29. **Lack of Legal Clarity on Subsidy Deductions -** There was no legal clarity on whether NNPC had the right to deduct subsidy costs directly from crude sales proceeds before remittance to the Federation Account.



Structural Problem In The NNPC

The PwC Investigative Forensic Audit Report highlighted significant structural inefficiencies and operational weaknesses within NNPC, which undermined its financial sustainability and transparency. One major issue was the corporation's dual role as a self-funding entity and the primary revenue contributor to the Federation Account, creating inherent conflicts of interest. NNPC deducted massive costs—such as $8.7 billion in PMS and DPK subsidies, $2.81 billion in pipeline maintenance costs, and $0.83 billion in crude oil losses—before remitting revenues, without clear legal backing or independent verification. This opaque deduction process was compounded by poor record-keeping and a weak reconciliation system, leading to discrepancies across government agencies and over-reliance on NNPC's internal data. Additionally, NNPC's unsustainable financial model, where 46% of domestic crude oil revenues were spent on operational costs and subsidies, forced it to incur liabilities to third parties. The undervaluation of oil asset transfers and non-disclosure of subsidiary revenues further eroded transparency and accountability. These inefficiencies not only resulted in billions of dollars in unremitted or misreported funds but also exposed the Federation Account to significant revenue risks. Without urgent restructuring, NNPC's operational inefficiencies threaten its financial viability and undermine national economic stability.

Subsidy As a Looting Machine

The PwC audit uncovered severe irregularities in NNPC's subsidy management, revealing a system fraught with over-claims, errors, and a lack of transparency. The most striking issue was NNPC's deduction of $3.38 billion in Dual Purpose Kerosene (DPK) subsidies, despite a 2009 Presidential directive to discontinue kerosene subsidies. This directive was never legally formalized or gazetted, leading to NNPC's continued subsidy claims without budgetary approval or official appropriation in the 2012 and 2013 Federal budgets. Furthermore, NNPC made duplicated subsidy claims totaling $63.79 million, split between PMS ($23.95 million) and DPK ($39.84 million). Errors in the Petroleum Products Pricing Regulatory Agency's (PPPRA) subsidy payment advice—such as applying outdated pricing formulas—resulted in an additional over-statement of $36.05 million for PMS. NNPC's overcharge of DPK subsidies by $205 million further compounded the issue, driven by discrepancies in selling prices and landing costs. Unlike other marketers, NNPC deducted subsidies upfront from crude oil proceeds without independent verification, circumventing standard subsidy verification processes. These findings highlight systemic flaws in the subsidy regime, where unchecked practices led to billions in unremitted or misused public funds. PwC's report emphasized the need for immediate reforms, clearer legal frameworks, and enhanced transparency to prevent further abuse of subsidy programs.

Lack of Transparency in Pipeline Maintenance

The PwC audit identified significant issues with NNPC's pipeline maintenance and management costs, revealing a lack of transparency and accountability in how expenses were incurred and reported. Initially, NNPC understated these costs in its submission to the Senate Committee but later disclosed an additional $2.81 billion in expenses, bringing total pipeline-related deductions to $3.3 billion for the review period. These costs included salaries, benefits, operational expenses, and third-party payments such as training fees and consultancy services, many of which were not clearly attributable to pipeline maintenance. The report also noted frequent pipeline vandalism and crude oil theft, contributing to $0.83 billion in crude oil and product losses. The audit recommended tighter oversight, independent verification of pipeline-related costs, and improved security measures to reduce losses and enhance financial transparency.

Lack of Transparency in Crude and Product Losses

The PwC audit revealed significant crude oil and product losses totaling $0.83 billion for the review period, primarily attributed to pipeline vandalism, theft, and inadequate security measures. NNPC valued these losses using a fixed rate of $100 per barrel, rather than the more accurate monthly average Platts prices, leading to potential misstatements in loss estimates. The audit emphasized that the absence of transparent reporting and weak operational controls exacerbated the impact of these losses. To address the issue, PwC recommended improved pipeline security, independent verification of loss calculations, and the adoption of market-based valuation methods to ensure more accurate financial reporting and accountability.

Major Limitations of the Audit Report

1. **Limited Access to NPDC Information -** The auditors did not have direct access to NPDC's full accounts, management, or financial records, which limited their ability to verify revenue figures and expenses related to crude oil sales and royalties.
2. **Unavailability of Key Documentation -** Several key documents, such as Deeds of Assignment for certain oil leases and records of subsidy verification processes, were either incomplete or not made available during the audit, hindering a full evaluation of asset transfers and financial transactions.
3. **Reliance on NNPC Data -** The audit relied heavily on data provided by NNPC due to the absence of independent records and reconciliations from external sources, raising concerns about the accuracy and reliability of the financial information.
4. **Weak Reconciliation Systems -** Discrepancies in data across different government agencies (e.g., NNPC, DPR, FIRS, and CBN) revealed a lack of consistent and reliable reconciliation mechanisms for crude oil revenue and remittances.
5. **Lack of Independent Verification of Deductions -** NNPC's subsidy and cost deductions were not independently verified by third-party auditors or regulators, making it difficult to assess the legitimacy and accuracy of these deductions.
6. **Incomplete Legal Framework -** There was no clear legal guidance on issues such as the legitimacy of kerosene subsidies and NNPC's right to deduct costs before remittance, creating ambiguity in financial accountability.
7. **Inconsistent and Incomplete Financial Submissions -** NNPC's initial submissions to the Senate were later revised, with additional costs of $2.81 billion disclosed after the audit had already begun, highlighting inconsistencies in reporting.
8. **Data Gaps for Third-Party Financing -** Limited data was available for third-party financing arrangements, making it difficult to fully assess the revenue and remittance obligations related to these partnerships.
9. **No Comprehensive View of Subsidiaries -** NNPC did not provide consolidated financial information for its profit- and loss-making subsidiaries, resulting in an incomplete view of its total revenue, expenses, and remittance obligations.
10. **Asset Valuation Uncertainty -** The valuation of assets transferred to NPDC was not conducted independently, and the reported transfer price of $1.85 billion was questioned for being lower than market-based estimates.

Instances the audit report where the National Assembly should act

1. **Legal Clarification on Kerosene Subsidy -** The National Assembly should issue clear legislation or directives on the legitimacy of the Dual Purpose Kerosene (DPK) subsidy to prevent NNPC from deducting unauthorized subsidies.
2. **Oversight of Cost Deductions -** There should be a review and regulation of NNPC's practice of deducting costs (e.g., subsidies, pipeline maintenance) before remitting funds to the Federation Account, ensuring proper legal and financial accountability.
3. **Mandate Comprehensive Audits of NNPC Subsidiaries -** The National Assembly should require full and consolidated financial disclosures of all NNPC subsidiaries to ensure transparency on revenues, expenses, and remittances.
4. **Strengthen Reporting and Reconciliation Mechanisms -** Legislation should be enacted to improve the accuracy of crude oil revenue reconciliation across NNPC, DPR, FIRS, CBN, and the Ministry of Finance to eliminate discrepancies in financial reporting.
5. **Address Unpaid Signature Bonuses -** The National Assembly should investigate the outstanding $1.75 billion in unpaid signature bonuses for oil leases transferred to NPDC and ensure full payment and remittance.
6. **Enforce Proper Asset Valuation for Transfers -** Legislation should mandate independent valuation of government assets (e.g., oil leases) transferred to NPDC or other entities to ensure they are sold or leased at fair market value.
7. **Scrutinize Third-Party Financing Arrangements -** The National Assembly should investigate undisclosed third-party remittances totaling $1.158 billion and ensure proper reporting and accountability for all such arrangements.
8. **Review Pipeline Security and Maintenance Costs -** There should be an inquiry into pipeline maintenance and management costs, including the additional $2.81 billion disclosed late by NNPC, to ensure proper oversight and spending efficiency.
9. **Prevent Conflicts of Interest in NNPC's Dual Role -** The National Assembly should implement structural reforms to eliminate NNPC's conflicting roles as a self-funding entity and the Federation's revenue collector to enhance transparency.
10. **Improve Accountability for Crude Oil and Product Losses -** Legislation should mandate independent assessments of crude oil losses due to theft and vandalism and ensure that losses are valued accurately using market-based methods like monthly Platts prices.

The Aftermath of The Audit

The release of the PricewaterhouseCoopers (PwC) audit report on the Nigerian National Petroleum Corporation (NNPC) in 2014 elicited a range of responses from various stakeholders:

1. **Directive for Public Release:** President Goodluck Jonathan ordered the immediate public release of the full PwC audit report to ensure transparency and inform the Nigerian populace about the findings.
2. **Denial of Missing Funds**: The NNPC maintained that no funds were missing, emphasizing that the PwC audit report confirmed the remittance of $50.81 billion out of a total of $69.34 billion from crude oil sales to the Federation Account between January 2012 and July 2013.
3. **PricewaterhouseCoopers (PwC)**: Clarification of Report's Nature: PwC clarified that their work constituted a "review" rather than a full forensic audit, highlighting limitations due to incomplete information from NNPC subsidiaries, which affected the comprehensiveness of their findings.
4. **Critique of Report Findings:** The All Progressives Congress (APC) criticized the PwC report, particularly questioning the recommendation for NNPC to remit $1.48 billion to the Federation Account, suggesting that the report did not fully address the extent of unremitted funds. Former Central Bank Governor Sanusi Lamido Sanusi contended that the audit confirmed the diversion of approximately $18.5 billion from NNPC accounts, underscoring significant financial discrepancies.
5. **Subsequent Audit Reports:** Between 2014 and 2025, the Nigerian National Petroleum Corporation (NNPC) underwent several audit evaluations to enhance transparency and accountability in its operations. Notable audits during this period include:

- 2015: PwC Forensic Audit
- 2019: Release of Audited Financial Statements
- 2023: Auditor-General's Report
- 2024: NNPC's Audited Financial Statement

Conclusion

Although NNPC has made progress since the PwC audit in 2013, addressing the critical issues raised and fully implementing the recommendations remains a persistent challenge. Many of the problems identified—such as unauthorized deductions, unremitted funds, and weak financial controls—continue to resurface in subsequent audit reports by both PwC and the Office of the Auditor-General of the Federation (AuGF). Despite these audits providing valuable insights, it has been extremely difficult to identify a single issue that was uprooted and resolved with the urgency and attention it deserved. Instead, further audit reports have merely followed, which, while positive in terms of oversight, are rendered ineffective if their recommendations are not enforced. This recurring cycle of audits without action underscores the need for the National Assembly to step up its role in enforcing accountability, ensuring that audit findings are acted upon, and putting an end to systemic inefficiencies in NNPC's operations.