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NEITI's Proposed Roundtable With NNPC, CBN And FIRS

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That the Nigeria Extractive Industries Transparency Initiative (NEITI) is determined to act on the audit report of the Hart Group on the petroleum industry, after over a year of its submission to ex-President Olusegun Obasanjo, is most reassuring, especially in the light of apprehension that the Initiative had lost steam since the exit of its pioneer and immediate past Chairperson, Mrs. Oby Ezekwesili. The audit, the first-ever comprehensive exercise of that nature in Nigeria's petroleum industry, had brought to light management and operational lapses as well as structural dislocations that had been extensively exploited by unscrupulous functionaries, Joint Venture (JV) partners and other shady characters in society. True to its lax nature, a weakness repeatedly displayed through inaction over audit reports on the accounts of the Federation, the Obasanjo Administration refused to take appropriate action on the findings, conclusions and recommendations of the NEITI-commissioned audit report.

But rather than let the outcome of its audit exercises be brushed aside, NEITI has called for a roundtable with key government organisations indicted in the said report, in an effort to redress irregularities unearthed and ensure that Nigeria is positioned to obtain maximum benefits from available hydrocarbon resources. The Nigerian National Petroleum Corporation (NNPC) would be required to explain, as the audit report put it, "why the refineries in 1999 and 2000 received more crude oil than was sent from the oil terminals," and also account for "22 million barrels of crude oil sent to it but did not get to the refineries during the years 2001, 2002, 2003 and 2004." Among the many other very shocking revelations regarding NNPC's operations, the report said: "There was no defined process for determining who should lift government crude oil.... The Crude Oil Marketing Department did not even have a complete list of crude oil contract holders."

The Department for Petroleum Resources (DPR), for its part, did not have 'centralized computerized records of activities of the petroleum industry' and was thus handicapped in monitoring the flow of crude oil within the industry. Most shockingly, revenue flows from the oil companies and other industry sources to the Central Bank of Nigeria (CBN) were just as poorly monitored and documented. CBN, according to the audit report, lacked standard accounting systems and internal controls and failed to maintain reliable records of payments made. Wide discrepancies were discovered between financial records in the said companies and others at the CBN regarding payments. Companies were credited with huge amounts which they never paid, while payments made by them were either not documented by CBN or were reflected as lower than what the companies claimed to have paid.

It is so obvious that Nigeria is getting only a little fraction of what is due to her from her investments in, and royalties from, the petroleum industry, and that urgent steps need to be taken to plug loopholes routinely exploited by criminal elements in and out of government, the NNPC, CBN and oil companies. That the refineries received more crude oil in 1999 and 2000 than was officially allocated to them reinforces the suspicion that powerful individuals have been engaged in diversion and in illegal bunkering activities by which crude is processed at the plants and sold within the Nigerian market as though the products were imported.

NNPC's failure to account for 22 million barrels is equally a pointer to the fact that very dishonest, unpatriotic functionaries are in key positions within the establishment. By their own

criminal inclinations, mechanisms for effective management and control within the industry have remained deactivated, with the result that theft of crude oil has been very high over the years, with DPR reporting in 2006 that as much as 800,000 barrels of crude is stolen daily in Nigeria. There is no reason to doubt the prevalence rate as neither NNPC nor DPR has a defined process for determining who should lift government crude oil, and no complete list of crude oil contract holders exists.

NEITI's recourse to a roundtable, it bears restatement, is heart-warming, as it underscores the organisation's sense of mission. There is a manifest commitment to goals set out by the global Extractive Industries Transparency Initiative (EITI), namely, the enthronement of a framework for enforcement of best practices in the industry and pushing for effective channeling of derived resources toward poverty reduction and sustainable development. The administration of Olusegun Obasanjo deserves condemnation for its refusal to act on the said conclusions and recommendations. Significantly, its laxity, which manifested in many other instances of financial mismanagement - recall the aforesaid audited accounts of the Federation and the Petroleum Technology Development Fund (PTDF) - has given NEITI an opportunity to prove itself. The least Nigerians would expect from the administration of President Umaru Yar'Adua is to give NEITI all the encouragement it requires, especially by stepping in to act on the recommendations of the Audit Report by Hart Group.