

Social Costs, Crude Oil Theft and Social Audit: The Case of Niger Delta Region of Nigeria

Eze, Ibiam Eze & Inyama, Oliver Ikechukwu (Ph.D)

Department of Accountancy,

Enugu State University of Science and Technology, Agbani. Enugu State.

doi: <https://doi.org/10.37745/ejaaf.2013/vol12n191107>

Published December 26, 2023

Citation: Eze, I.E. and Inyama, O.I. (2024) Social Costs, Crude Oil Theft and Social Audit: The Case of Niger Delta Region of Nigeria, *European Journal of Accounting, Auditing and Finance Research*, Vol.12, No. 1, pp.91-107

ABSTRACT: *Crude oil theft in Nigeria has attained dimensions hitherto unimaginable. Monthly losses to government is said to be over one billion Dollars. Attendant social cost of crude oil theft which includes environment pollution, health and living condition of the people of the Niger Delta high. The Nigerian Federal Government has tried a number of options to ensure peaceful environment but not much has been achieved. Social audit which involves partnership between the operators in the Niger Delta region, the federal Government and the Communities in the region has been successful in creating harmonious relationships in places where they are deployed. It is concluded that it will assist in ending or at least significantly reducing the level of crude oil theft and its impact in the Niger Delta region. It is recommended that steps be taken to enforce it the oil producing communities.*

KEYWORDS: Social Costs, Crude Oil Theft, Social Audit, Niger Delta Region, Nigeria

INTRODUCTION

Crude oil production and export serve as the backbone of the Nigerian economy, constituting approximately 10% of GDP and a significant 86% of export earnings (Sylva, 2021). This percentage rose to 90% in the first quarter of 2022 (Ekeghe, 2022). Foreign companies have dominated oil exploration and exploitation in Nigeria since its discovery in 1956, but there is a growing presence of local operators in both upstream and downstream sectors.

The environmental impact of oil exploration in Nigeria is evident through pollution of land, air, and water, particularly in oil-producing regions. This environmental degradation contributes to the high social cost associated with oil production in the country. Social cost, in the context of oil production, encompasses exploration, drilling, and transportation costs, as well as the adverse

consequences on the environment and local communities. As part of corporate social responsibility and green accounting, oil sector operators are morally obligated to address the environmental aftermath of their activities.

The "Polluter pays principle" is particularly relevant in the oil industry, where cases of crude oil theft in the Niger Delta exacerbate environmental degradation. Despite government interventions and directives to oil producers, tangible results have been elusive due to unilateral efforts and discrepancies between claims and actions. A more effective approach to evaluating and improving the Niger Delta region involves engaging not only the government and oil producers but also the host communities. This is where the application of social audits in oil exploration becomes beneficial.

Social audits play a crucial role in assessing the effectiveness of corporate social responsibility (CSR) policies and activities, certifying claims made by corporations (Inyiama, in print). Beyond verification, social audits contribute to building, enhancing, and preserving a positive public image, a key factor in an organization's pursuit of its goals and objectives (Murphy, 2022). Moreover, social audits facilitate compliance with triple bottom line reporting (TBL), requiring entities to dedicate as much attention to social and environmental reports as they do to profit. This approach encourages businesses to transparently report their social investments and environmental conservation efforts alongside financial gains during the reviewed period.

Statement of the Problem

Nigeria, holding a 3% OPEC quota for daily crude oil export, secures the 8th position among the fifteen member nations. It proudly stands as the leading oil producer and exporter in Africa, commanding the top spot on the continent. The country's current OPEC oil production quota, set at 1.830 million barrels per day in September (a slight increase from 1.826 million barrels per day in August), underscores its pivotal role in both OPEC and the global oil industry.

Despite its significant standing, Nigeria faces challenges, notably in the form of crude oil theft and related issues. These challenges have hindered the country from consistently meeting its OPEC quota allocation over the years. The pervasive nature of theft not only affects the fulfillment of OPEC quotas but also inflicts adverse consequences on the environment and the quality of life in the Niger Delta region.

Theft has not only prevented Nigeria from meeting its OPEC quota but has also had detrimental effects on the environment and the quality of life in the Niger Delta region. The extent and reach of these thefts have resulted in a dual challenge of unmet OPEC quotas and a negative impact on the environment, exacerbating the plight of the residents in the Niger Delta.

In response to this issue, successive governments have made pledges to combat crude oil theft and initiate environmental cleanup efforts. The degradation caused by years of neglect and destruction from oil spillage in the region has prompted a commitment to address these challenges and restore the environmental balance in the Niger Delta. The study therefore ascertained the effects of crude oil theft in the Niger Delta region of Nigeria and to evaluate the relevance of deploying social audit as a tool to curb environmental degradation in the Niger Delta region. Following this broad objective, the specific objectives of the study includes:

- i. Determine the effects of crude oil theft on the Niger Delta region of Nigeria
- ii. Assess the social cost of crude oil theft in the Niger Delta region
- iii. Evaluate the role of social audit in eliminating crude oil theft and its associated problems in the Niger Delta region.

Research Hypothesis

Hypothesis number 1

H₀ Crude oil theft has no significant impact in the Niger Delta region

H₁ Crude oil theft has significant impact on the Niger Delta region

Hypothesis number 2

H₀ Crude oil theft has no significant social costs on the Niger Delta region

H₁ Crude oil theft has significant social costs on the Niger Delta region

Hypothesis number 3

H₀ Social audits will not impact Crude oil theft in the Niger Delta region

H₁ Social audits will impact Crude oil theft in the Niger Delta region

Justification of the Study

The study holds significant importance in addressing the intricate challenges associated with crude oil exploration and export in a specific and critical geographical context. One of the primary contributions of the study is its comprehensive examination of social costs, going beyond conventional economic metrics to encompass broader societal impacts. By shedding light on the environmental degradation, health consequences, and the overall decline in the standard of living, the research provides a nuanced understanding of the true toll of crude oil activities on the communities in the Niger Delta.

A notable aspect of the study is its focus on the pervasive issue of crude oil theft, particularly prevalent in the Niger Delta region. This illicit activity has been a longstanding challenge contributing to economic losses and exacerbating environmental degradation. Through an in-depth analysis, the research aims to offer insights into the dynamics of crude oil theft, serving as a foundation for the development of effective strategies to combat this problem. Addressing crude oil theft is crucial not only for protecting economic interests but also for mitigating the negative social and environmental consequences associated with such activities.

The inclusion of social audit in the study adds an essential layer of corporate responsibility and accountability to the discourse. By evaluating the effectiveness of social audit practices in the context of crude oil activities, the research explores the potential for holding companies accountable for their environmental and social impact. This aspect aligns with the growing emphasis on transparency and ethical business practices, contributing to a broader movement towards corporate social responsibility in the oil industry.

The specific focus on the Niger Delta region adds depth and relevance to the study. This region has been historically significant in Nigeria's oil production, yet it has disproportionately borne the brunt of the negative consequences. The study's localized approach enables a more targeted understanding of the challenges faced by the communities in the Niger Delta, allowing for context-specific interventions and policies that are sensitive to the unique dynamics of this region.

Ultimately, the findings of this study can serve as a valuable resource for policymakers and industry stakeholders. Policymakers can utilize the insights to formulate regulations that address the identified social costs, while oil companies can adapt their strategies based on the outcomes of social audits. In this way, the study has the potential to contribute to the development of more sustainable and community-friendly practices in the oil industry, particularly in regions facing the complex challenges exemplified by the Niger Delta.

LITERATURE REVIEW

Crude Oil Theft

Crude oil theft, a pervasive and long-standing issue, has reached unprecedented dimensions in recent times, as reported by the Managing Director of the Nigeria National Petroleum Company Limited (NNPCL). This illicit activity, persisting for over 22 years, extends beyond the borders of Nigeria and is observed in various oil-producing nations worldwide (Tahir & Bowers, 2019). Despite its global occurrence, crude oil theft is most rampant in Nigeria, notably in the Niger Delta region, where it has taken on alarming proportions.

The economic impact of crude oil theft is staggering, with Nigeria experiencing significant financial losses. Kyari (2022) highlighted that the country incurred a loss exceeding \$10 billion in just seven months up to July 2022, attributing this substantial economic setback to well over 250 illegal connections along the 200-kilometer pipeline to the Bony terminal. Okonjo-Iweala (2014) reported an annual loss of \$12 billion to crude oil theft. President Buhari, in his 2023 budget speech, underscored the disparity between Nigeria's actual oil output of 1.3 million barrels per day as of June 2022 and the OPEC quota, which stood at an average of 1.8 million barrels per day.

In the current economic landscape of Nigeria, crude oil theft emerges as a formidable threat, rivaled only by corruption and associated malpractices. Various studies, including those by Tahir and Bowers (2019), have addressed the challenges posed by crude oil theft in the Nigerian oil industry. Despite numerous investigations, discrepancies persist regarding the exact quantity of crude oil stolen daily. Estimates range from 100,000 to as high as 650,000 barrels per day, illustrating the complexity of assessing the magnitude of this issue. Slav (2016) reported that oil theft by pirates alone cost Nigeria a staggering \$1.5 billion monthly, with vandals and pirates jointly responsible for daily losses totaling 650,000 barrels. Yusuf (2022) highlighted that between January and July 2022, Nigeria suffered an average daily loss of 437,000 barrels of oil, translating to a \$10 billion loss in just seven months. Adulogu (2022), citing the MD of NNPC, emphasized that Nigeria loses approximately 600,000 barrels per day due to oil theft.

Ngada and Bower (2019) conducted an insightful analysis of crude oil theft hotspots in the Niger Delta region, pinpointing significant areas such as Nembe, Southern Ijaw, Ekeremor, and Brass in Bayelsa State, as well as Akuku Toru and Degema in Rivers State. The specifics for Delta State were not explicitly mentioned. Notably, their findings underscored the prevalence of crude oil theft across various local government areas (LGAs) within the sampled states. Southern Ijaw emerged as a focal point, contributing to 42.22% of total oil theft cases, while Brass and Nembe LGAs accounted for 10.48% and 10.17%, respectively. Additionally, Southern Ijaw LGA featured prominently, representing 46.72% of all recorded theft cases, highlighting the concentrated nature of the issue within specific regions. The study revealed a scarcity of LGAs with zero instances of crude oil theft, emphasizing the widespread nature of this criminal activity across the oil-producing states.

Katsouris and Sayne (2013) provided a comprehensive overview of the diverse actors involved in crude oil theft in Nigeria. Their identification of politicians, military officers, militants, oil industry personnel, oil traders, communities, and organized criminal groups underscores the complexity and multi-faceted nature of this criminal enterprise. This observation aligns with Mele Kyari's recent statement highlighting the involvement of senior government officials and the military in this illicit trade.

Building on this, findings of Onuh et al., (2021) further detail the diverse array of actors perpetuating crude oil theft. Their list encompasses local criminal gangs, oil company control room workers, Niger Delta militants, local chiefs, community leaders, government officials at export terminals, and security agents. This comprehensive perspective underscores the need for a multifaceted approach to address the various elements contributing to the persistence of crude oil theft.

In a televised discussion program, Focus Nigeria, Barango (2022) expanded the list of implicated parties to include top NNPC officials, government officials, military officers, shippers, foreign

nationals, and ordinary Nigerians. This diverse array of individuals implicated in crude oil theft highlights the need for a coordinated and comprehensive response to tackle the issue effectively. Interestingly, artisanal refiners of crude oil present a contrasting perspective. They vehemently assert their innocence, attributing the blame to government officials and senior military figures engaged in large-scale theft. These artisanal refiners argue that they entered the trade due to unemployment and advocate for their refining activities to be recognized and regulated. They suggest that the government provide basic training and subject their business to appropriate taxation, highlighting their willingness to operate within legal frameworks.

Social Cost of Crude Oil

The social cost incurred due to illegal oil theft in the Niger Delta region is staggering, encompassing both quantitative and qualitative dimensions, as well as financial and non-financial aspects. Wikipedia defines social cost as the amalgamation of private costs resulting from a transaction and the costs imposed on consumers who are not compensated or charged for being exposed to that transaction. It represents the sum of private costs borne by economic actors and the external costs imposed on others due to an activity, giving rise to either negative externalities (costs) or positive externalities (benefits) (Federal Reserve Bank of San Francisco, 2002).

The impact of illegal oil theft extends to the quality and standard of living, affecting everyone in the Niger Delta region directly and indirectly. Both the federal government and oil companies operating in the region bear the brunt of this social cost in various ways. Specifically, the social cost of crude oil theft incorporates not only the actual value of the stolen oil but also the environmental damage inflicted by oil thieves.

Estimates of the value of oil stolen vary, with Okonjo-Iweala (2016) approximating it at \$12 billion annually in 2014, while Mele Kyari (2022) projects \$10.5 billion for just seven months. Beyond the monetary losses, additional costs include environmental degradation and the loss of aquatic life resulting from oil spillage during theft. Government expenditures on security for pipelines and export terminals, as well as the deployment of naval teams and other security personnel to combat oil theft in the Gulf of Guinea, constitute further social costs (Mike Obidiegwu, 2022).

The inability of Nigeria to meet its approved crude oil production and export quota due to theft is a significant social cost. This not only impacts the national economy but also jeopardizes trading partnerships, potentially resulting in the loss of major customers. The severity of the issue is reflected in the deployment of dozens of gunboats in the Niger Delta region, following a N4.5 billion monthly surveillance contract awarded to Tompolo, the leader of the Movement for the Emancipation of the Niger Delta (MEND) (Obidiegwu, 2022).

Considering the longstanding and substantial impact of crude oil theft in Nigeria, urgent action is imperative. While various government initiatives have been attempted, their effectiveness has been

limited. This underscores the relevance of introducing and adopting social audits as a management tool for addressing crude oil theft in Nigeria. The adoption of social audits could provide a more comprehensive and accountable approach to tackle this longstanding issue and mitigate its pervasive social costs.

Social Audit

Social audit represents a collaborative evaluation of a program, involving both the government and the affected or beneficiary individuals. Murphy (2022) provides a nuanced definition, characterizing social audit as a formal examination of a company's initiatives, procedures, and code of conduct related to social responsibility and its impact on society. In essence, it serves as an assessment of the company's effectiveness in meeting its social responsibility goals and benchmarks, striking a balance between profitability and ethical considerations.

Srivastava (2022) expands on this definition, presenting social audit as a comprehensive approach to measure, understand, report, and enhance an organization's social and ethical performance. This process not only bridges the gaps between vision and reality but also between efficiency and effectiveness. Social audit is instrumental in refining Corporate Social Responsibility (CSR) and sustainability initiatives within organizations.

Identifying three key objectives of social audit, Srivastava (2022) categorizes the primary objective as focusing on equitable returns to shareholders, fair compensation to employees, and reasonable pricing for clients and customers. The secondary objective involves creating provisions for incentives and bonuses for employees while contributing to the well-being of the local community. The general objective encompasses evaluating working conditions for employees and assessing the environmental and community impact of a company's operations.

Building on this, Ras (2017) delineates seven objectives of social audit, emphasizing the promotion of transparency and accountability in program implementation and involving all stakeholders. The goals also include monitoring the social and ethical impact and performance of the organization. Dwivedi (2016) outlines key steps in the social audit process, beginning with the framing of its structure, identification of stakeholders, and initiating a dialogue process. The focus then shifts to critical activities and cross-verification of stated achievements, culminating in findings and verification.

Parties to A Social Audit

A social audit concerning oil theft and its repercussions in the Niger Delta necessitates active involvement from various stakeholders, fostering a collaborative approach to address the multifaceted challenges. In this context, the key participants in the social audit process are expected to include the Federal Government, State Governments, the host communities, and the oil-producing companies.

This inclusive strategy reflects the interconnected nature of the issues at hand and acknowledges the diverse perspectives and responsibilities of each stakeholder. The Federal Government, as a central authority, plays a pivotal role in crafting and implementing policies, regulations, and enforcement mechanisms to combat oil theft and its associated social costs. State Governments, being close to the ground and intimately connected with local dynamics, can contribute by aligning policies with the specific needs and concerns of their regions.

Host communities, being directly impacted by oil theft, are crucial participants in the social audit. Their insights into the local consequences, environmental degradation, and socio-economic challenges are invaluable for a comprehensive understanding of the issue. Engaging with these communities ensures that their voices are heard, fostering a sense of inclusion and shared responsibility.

Oil-producing companies, as major players in the industry, are integral to the social audit process. Their collaboration involves transparency in reporting, commitment to environmental conservation, and active participation in initiatives aimed at mitigating the impacts of oil theft. Through their involvement, these companies can contribute to the development of sustainable practices and demonstrate corporate social responsibility.

The Social audit cycle:

Social audit like all audits requires planning. It follows a cycle which Ras (2017) summarized below.

1. Define values and objectives of organizations
2. Identify indicators of performance
3. Collect data – qualitative and quantitative
4. Evaluate data – internal and external
5. Publish results
6. Review and remedial action by management

Components of Social Audit

Murphy (2020) delineates social audit into three integral components: Economic, Political, and Environmental. The Economic Components involve a meticulous analysis of economic indicators, allowing the social auditor to report on the material characteristics of the community. Political Components aid in the identification of issues within the area and the formulation of effective solutions. Meanwhile, the Environmental Components empower auditors to assess crucial factors such as air quality, noise, visual pollution, and water quality and availability, all of which significantly influence the overall quality of life in the community.

One paramount advantage of social audit lies in its capacity to foster collective decision-making and the shared undertaking of responsibilities. This inclusive approach not only encourages

community participation but also fortifies democratic principles. Such engagement is indispensable for ensuring ownership and accountability within the host communities.

Extending its applicability, social audit proves beneficial for oil companies operating in the Niger Delta region. By facilitating a formal and impartial review of a company's procedures and conduct concerning social responsibility and societal impact, social audit becomes a valuable tool for fostering transparency and accountability. Adopting social audit in this context is not merely an option but a strategic imperative.

The substantial benefits that social audit offers in effectively managing the challenges posed by crude oil theft and its impact in the Niger Delta underscore the urgency for all stakeholders involved to embrace and leverage this powerful tool. In doing so, they can collectively navigate the complexities of the issue and work towards sustainable solutions that prioritize the well-being of the community and the responsible exploitation of natural resources.

The Niger Delta Region

The Niger Delta, situated in Nigeria, encompasses both a geographic region and a cluster of states vital to the nation's crude oil production. Geographically, it constitutes a vast, low-lying expanse through which the Niger River flows into the Gulf of Guinea (Britannica). However, from an administrative perspective, the Niger Delta Development Commission designates the constituent states as Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo, and Rivers States. For the context of this review, the term "Niger Delta" specifically refers to the nine states governed by the Niger Delta Development Commission, collectively representing the key oil-producing states in Nigeria.

Being the epicenter of crude oil production in the country, the Niger Delta has borne witness to significant environmental degradation. Disputes among key stakeholders regarding investments for cleaning up pollution resulting from oil production and crude oil theft have fueled tensions. This discord has manifested prominently in conflicts involving oil companies, the Nigerian government, and the host communities. At the heart of this review lie two pivotal categories: environmental pollution in the Niger Delta and corporate social responsibility (CSR) interventions by entities operating in the region.

Environmental pollution in the Niger Delta serves as a critical focal point, representing one facet of the challenges faced. The contentious issue of cleanup initiatives and counterclaims forms the backdrop for intense negotiations and disagreements among stakeholders. On the other hand, CSR initiatives play a crucial role in addressing the region's challenges. Entities operating in the Niger Delta have undertaken projects such as constructing roads, schools, hospitals, and water supply systems. Additionally, these initiatives extend to awarding scholarships and contributing to the Federal Government's amnesty programs.

Theoretical Framework

The study employed environmental justice theory as the theoretical framework of this study as it explores the fair distribution of environmental benefits and burdens, emphasizing the rights of all individuals, regardless of race or socio-economic status, to live in a safe and healthy environment. Environmental Justice Theory is a theoretical framework that emphasizes the equitable distribution of environmental benefits and burdens, ensuring that all individuals, regardless of race or socio-economic status, have the right to live in a safe and healthy environment. This theory becomes particularly pertinent when examining the intricate dynamics of social costs, crude oil theft, and social audits in the Niger Delta region of Nigeria.

According to Schlosberg (2004), Environmental Justice Theory advocates for fairness in the distribution of environmental resources and risks, calling attention to the need for justice in environmental decision-making processes. In the context of the Niger Delta, which has historically borne the disproportionate burden of environmental degradation due to crude oil activities, this theory provides a lens to scrutinize whether the associated social costs are distributed equitably among diverse communities.

Moreover, Environmental Justice Theory emphasizes the importance of community involvement in environmental decision-making (Agyeman et al., 2003). In the Niger Delta, where local communities are directly impacted by the consequences of crude oil exploitation, assessing the level of community participation is crucial. The theory suggests that communities affected by environmental injustices should have a say in policies and practices that affect their well-being.

Corporate accountability is another key aspect of Environmental Justice Theory. It posits that industries are responsible for mitigating environmental harm, especially in communities facing disproportionate impacts (Bullard, 1994). In the Niger Delta, where oil companies play a central role, the theory provides a framework for analyzing the responsibility of these corporations in addressing the identified social costs and preventing crude oil theft.

Furthermore, Environmental Justice Theory takes a holistic approach to environmental issues, considering both social and economic factors (Mohai & Bryant, 1992). This aligns with the multifaceted nature of the challenges in the Niger Delta, where social costs, crude oil theft, and social audits are interconnected. The theory encourages a comprehensive examination of these issues to develop solutions that address the root causes and promote sustainable practices.

The policy implications of Environmental Justice Theory are significant. The theory often informs recommendations aimed at rectifying environmental injustices (Pellow & Brulle, 2005). In the Niger Delta, grounding the study in this theory can guide the development of policies that prioritize fairness, community engagement, and corporate responsibility, fostering a more just and sustainable approach to crude oil activities.

RESEARCH DESIGN AND METHODOLOGY

This study employed a comprehensive research approach, combining the survey method with oral interviews conducted among employees and various stakeholders involved in the environmental and social reporting processes. Our sample comprised ten organizations actively operating in the oil industry within the Niger Delta. Additionally, key leaders in the industry were engaged in structured interviews to gather in-depth insights. This methodological blend ensures a thorough examination of the complexities surrounding environmental and social reporting, providing a nuanced understanding from both organizational and leadership perspectives.

FINDINGS AND DISCUSSIONS

The study unveiled that the social cost associated with crude oil theft in the Niger Delta is substantial, extensive, and impactful, encompassing both quantitative and qualitative dimensions. The implications of this theft are far-reaching, affecting various facets of the social fabric. Furthermore, the research highlighted a notable gap in the utilization of social audit as a tool for enhancing the quality of environmental reporting in Nigeria. Many business entities tend to keep their environmental investments private, with only a select few showcasing limited information in published accounts. This lack of transparency results in these costs remaining concealed and, in many instances, consolidated with other expenses. The findings underscore a need for a more robust integration of social audit practices in the country to promote transparency and accountability in environmental reporting.

Social Cost of Crude Oil Theft in the Niger Delta

The social cost emanating from crude oil theft in the Niger Delta region is extensive and encompasses a myriad of adverse consequences. Firstly, the loss of earnings to the government is a staggering blow to the country's revenue, with estimates exceeding a billion dollars monthly. This substantial financial setback necessitates urgent action to mitigate its far-reaching impact on the nation's economic stability and development initiatives.

Oil companies operating in the region also bear the brunt of crude oil theft, experiencing significant revenue losses. While the exact figures remain undisclosed, the magnitude of the impact underscores the economic challenges posed by this illicit activity. Furthermore, the trend of divestment by oil companies, exemplified by Mobil Oil Producing's recent shift from inland and shallow waters operations to concentrate on deep-sea oil production in Lagos, highlights the industry's response to the persistent issue of theft.

Environmental degradation resulting from oil spillage is one of the most significant costs associated with crude oil theft. This pervasive problem affects the quality of air, land, and water, contributing to the loss of farmlands, aquatic life, and disrupting the indigenous occupations of

host communities. The resulting poverty and poor living conditions in these areas are direct consequences of the environmental devastation caused by oil theft.

The high level of crime and criminality in the region, including militancy, is intricately linked to the prevalence of crude oil theft. This not only poses security challenges but also creates a complex socio-economic environment that hampers development and stability in the Niger Delta. Moreover, the health hazards stemming from oil theft-induced pollution present a pressing concern, rendering rainwater unfit for domestic use and posing grave risks to the well-being of residents.

Tragically, loss of life is an additional toll exacted by crude oil theft, particularly among those engaged in the illegal refining of stolen oil. The absence of adequate safety precautions in these crude processes has led to numerous fatalities, underscoring the human cost associated with this illicit activity.

The destruction of farmlands and aquatic life directly contributes to hunger and starvation in the region, intensifying socio-economic challenges faced by local communities. This hunger, coupled with the environmental challenges posed by the pervasive black soot covering the sky, further exacerbates the hardships experienced by residents. The black soot not only degrades air quality but also poses medical and environmental risks, turning rainwater into poison and causing widespread destruction.

Beyond the direct social costs, there are significant indirect costs incurred by the government in addressing the issue. The substantial deployment of security patrols, law enforcement agencies, and other administrative efforts aimed at combatting oil theft imposes a considerable financial burden. Various branches of the Nigerian military, including the police, army, airforce, and navy, are extensively involved in these operations. The government's recent award of a 4.5 billion Naira monthly security surveillance contract to a Niger Delta indigene exemplifies the significant financial investment required to address the multifaceted challenges posed by crude oil theft in the region.

The Place of Social Audit in Crude Oil Theft in the Niger Delta

Despite the pivotal role that social audit plays in achieving the social objectives of organizations, its surprising underutilization in the Niger Delta remains a notable observation. Ras (2019) highlights the benefits of social audit, emphasizing its capacity to instill a greater concern for social performance across an organization while providing invaluable data for evaluating the effectiveness of various programs.

The application of social audit in the Niger Delta could prove instrumental for the Federal Government and oil-producing companies in effectively monitoring and managing the region's

environmental concerns. By offering a comprehensive account of investments made in the area and their current status, social audit becomes a vital tool for fostering transparency and accountability. Moreover, its judicious use has the potential to alleviate tension between oil producers and host communities, fostering a collaborative environment where both parties work closely to understand each other's perspectives. This collaborative approach is not only conducive to reducing friction but also holds the promise of generating employment opportunities for the region's youth, creating a sense of partnership and ownership among the people of the Niger Delta. The strategic deployment of social audit could prove transformative in addressing persistent challenges in the region, such as militancy and crude oil theft. By enhancing collaboration and understanding between stakeholders, social audit contributes to a more stable and secure environment. Furthermore, it offers a means to curtail oil spills and mitigate environmental degradation, marking a significant step towards sustainable and responsible practices.

In the broader context, the effective use of social audit has the potential to reverse the escalating trend of crude oil theft and the consequent loss of revenue experienced by governments and oil companies. This proactive approach not only addresses immediate concerns but also establishes a foundation for long-term environmental and social sustainability in the Niger Delta. The adoption of social audit, therefore, emerges not only as a practical solution to current challenges but as a catalyst for positive change and cooperation in the region.

CONCLUSION AND RECOMMENDATIONS

Crude oil theft stands as a formidable challenge in the Niger Delta region, casting a dark shadow over both the Nigerian economy and the well-being of the region itself. With staggering estimates placing the monthly value of stolen crude oil at over a billion United States Dollars, the gravity of this issue cannot be overstated.

The social cost incurred in the Niger Delta region due to crude oil theft is profound, impacting the quality of life for its residents. The pervasive presence of oil soot and environmental pollution constitutes a significant and urgent concern, demanding concerted efforts from both the government and oil-producing companies. The far-reaching effects on the region's air, land, and water quality underscore the pressing need for effective interventions.

This review underscores the critical relevance of social audits, not only within the Niger Delta but also for organizations with substantial social impact, particularly those influencing environmental quality. Regrettably, the adoption of social audits as a tool for facilitating environmental interventions remains uncommon in Nigeria. Despite the initiation of CSR reporting by Nigerian listed companies, there is a notable gap in leveraging the full benefits of social audits in managing CSR initiatives.

Driven by the evolving Code of Corporate Governance, Nigerian entities have initiated some reporting on CSR activities. However, there is a pressing need for further strides in this arena. This involves not only enhancing the depth and quality of reporting but also actively involving the beneficiaries of environmental impacts in the review and validation of interventions. The collaborative engagement between businesses and communities holds the potential for a mutually beneficial relationship, creating a win-win scenario that can be harnessed for improved overall performance. As we navigate these challenges, embracing the transformative power of social audits becomes a pivotal step towards sustainable and responsible business practices in Nigeria.

On the basis of the findings of this review, the following recommendations are made for the benefit of Nigeria, oil producing companies and host communities.

The comprehensive approach to addressing the challenges of crude oil theft and its social costs in the Niger Delta region involves several interconnected strategies. Firstly, the widespread adoption of social audits by both the government and oil-producing companies is essential. These audits serve as a crucial tool for assessing and transparently reporting the environmental and social impacts of their activities. This proactive approach not only enhances accountability but also provides a comprehensive understanding of the consequences of crude oil theft, enabling targeted interventions.

To complement social audits, allocating resources for comprehensive environmental cleanup initiatives is imperative. This involves employing advanced technologies for oil spill detection and cleanup to minimize the ecological impact. The focus should be on remediating areas affected by oil spills and pollution, addressing the extensive damage caused to the air, land, and water quality in the Niger Delta region. A synergy between social audits and environmental cleanup ensures a holistic understanding and mitigation of the multifaceted challenges posed by crude oil theft.

Active involvement of local communities in the social audit process is paramount for sustainable solutions. By ensuring that the perspectives and concerns of those directly impacted by crude oil theft are considered, community engagement and cooperation can be fostered. This approach not only empowers communities but also facilitates a collaborative effort towards sustainable solutions. Furthermore, it establishes a feedback loop, ensuring that interventions are not only effective but also aligned with the needs and realities of the local population.

Building on the momentum of CSR reporting initiated by Nigerian listed companies is crucial for providing stakeholders with tangible evidence of the positive outcomes of these initiatives. Enhancing the quality and depth of reporting ensures a more comprehensive view of the environmental and social initiatives undertaken. Clear metrics for measuring impact should be incorporated. This transparency in reporting fosters trust and accountability, key elements for the success of any long-term intervention strategy.

Investing in capacity building and training programs for local communities is essential for long-term sustainability. Empowering communities with skills and knowledge in environmental protection, sustainable agriculture, and alternative livelihoods not only mitigates the impact of crude oil theft but also creates opportunities for diversified economic activities. These programs should align with the findings of social audits, ensuring that capacity building addresses specific needs identified in the assessment process.

Collaboration with security forces to strengthen measures against crude oil theft is imperative for immediate and effective intervention. This includes deploying advanced surveillance technologies, increasing personnel training, and establishing community-based security networks. A multi-faceted security approach is necessary to effectively detect and prevent theft. Moreover, the collaboration between security measures and social audits can provide a comprehensive understanding of the security challenges faced, enabling targeted responses.

Promoting open and constructive dialogue between oil-producing companies, the government, and local communities is crucial for resolving grievances and tensions arising from crude oil theft. Effective conflict resolution mechanisms can contribute to building trust and fostering a more collaborative relationship. This collaborative spirit is essential for the successful implementation of social audits, environmental cleanup initiatives, and other intervention strategies.

Implementing programs that diversify economic opportunities in the Niger Delta is essential for reducing the region's dependence on oil. Supporting sustainable industries such as eco-tourism, agriculture, and renewable energy projects creates alternative income sources, contributing to economic resilience. These economic diversification efforts should be closely aligned with the findings of social audits, ensuring that interventions address the specific economic needs and potentials identified in the assessment process.

Launching targeted environmental education programs at both the community and corporate levels is key for fostering a culture of environmental responsibility. Raising awareness about the long-term impacts of crude oil theft and pollution ensures that all stakeholders, including local communities and oil-producing companies, understand the importance of sustainable practices for the well-being of the region. This shared understanding is crucial for building a collaborative and environmentally conscious community.

Advocating for and enacting policies that enforce responsible environmental practices within the oil industry is crucial. Strengthening legal frameworks to deter crude oil theft, illegal refining, and activities contributing to environmental degradation is essential for creating a regulatory environment that prioritizes sustainability. These policies should be informed by the findings of social audits, ensuring that they address specific challenges identified in the assessment process.

REFERENCES

- Agyeman J, Bullard RD, Evans B, eds.2003. Just Sustainabilities: Development in an Unequal World. Cambridge, MA: MIT.
- Bullard, R.D, (1994), Overcoming Racism in Environmental Decision Making, *Environment*, 36(4), pp: 10-44.
- Dwivedi, R. (2010). Social audit and its methodology. *Conference: Conference on Rural Development Problems, Changing Prospects and Implementation Strategies At: DAV College Kanpur.*
- Ekeghe, N. (2022). Replacing oil as mainstay of Nigerian economy. This Day. February 1. <https://www.thisdaylive.com/index.php/2022/08/31/replacing-oil-as-mainstay-of-nigerian-economy/>
- Ekeghe, N; Replacing Oil as Mainstay of Nigerian Economy [thisdaylive.com](https://www.thisdaylive.com)
- Iweala, N.O; Fighting Corruption is Dangerous <https://www.britanica.com/place>
- Jeremiah, K; The Guardian, September 4, 2002.
- Kyari, M. (2022). Oil Theft: NNPC says illegal pipeline operated off Forcados for nine years.
- Mohai P, Bryant B. 1992. Environmental racism: reviewing the evidence. In *Race and the Incidence of Environmental Hazards: A Time for Discourse*, ed. B Bryant, P Mohai, pp. 163–76. Boulder, CO: Westview.
- Ngada, T. & Bowers, K (2019). Spatial and temporal analysis of crude oil theft in the Niger delta: <https://www.discovery.ucl.ac.uk>
- Okonjo-Iweala, N. 2014. Competing in an uncertain world. This day Newspaper. <http://www.thisdaylive.com>.
- Onuh, P. A, Omenma, T. J, Onyisi, C. J, Udogu, C. U, Nkalu, N. C, & Iwuoha, V. O (2021). Artisanal refining of crude oil in the Niger Delta: A challenge to clean up and remediation of Ogoni land. *Local Economy*, 4, 1-19 retrieved from <https://www.academia.edu>
- Pellow, D. N. & Brulle, R. J. (2005). Environmental Justice: Human Health and Environmental Inequalities. *Annual Review of Public Health* 27(1):103-124. DOI: 10.1146/annurev.publhealth.27.021405.102124.
- Schlosberg D. (1998). Environmental justice and the new pluralism: The challenge of difference in environmentalism. *New York: Oxford Univ. Press.*
- Slav, I. (2016). Massive oil theft by pirates costs Nigeria \$1.5 billion every month. <https://www.usatoday.com/story/money/business/2016/04/30/nigeria-oil-theft-pirates/83706836/>
- Srivastava, A.K; What is Social Audit? <https://www.walstreetmojo.com/socialaudit>
- Tahir, N. & Bowers, K. (2018). Spatial and temporal analysis of crude oil theft in the Niger Delta. *Security Journal*, 31, 501-523. <https://doi.org/10.1057/s41284-017-0112-3>
- Usman, E; Conspiracy in crude oil Theft Exposed: Alleged involvement of IOCs, NOCs, Security Agents; Vanguard Newspaper

Yusuf, K. (2022). Analysis: How broke Nigeria lost \$10 billion to crude oil theft in seven months.
<https://www.premiumtimesng.com/news/headlines/552781-analysis-how-broke-nigeria-lost-10-billion-to-crude-oil-theft-in-seven-months.html?tztc=1>