

FAAC POST-MORTEM SUB-COMMITTEE REPORT TO
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY
MEETING HOLDING ON WEDNESDAY, 14TH JULY, 2021

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting for the Month of July, 2021 was held on Monday, 12th July, 2021 at the Meeting Hall of Chopsticks and Caesar's Restaurant, 52 Mississippi Street, Maitama, Abuja. The meeting was attended by Members of the RMAFC, representatives of Commissioners of Finance and Accountants-General from all the geo-political zones, as well as representatives of the Revenue Generating Agencies and Consultants to FAAC Post Mortem.
- 1.2 The Sub-Committee extensively discussed several issues and hereby presents the summary to the FAAC Plenary for consideration.

2.0 UPDATE ON OUTSTANDING ISSUES REFERRED TO THE SUB-COMMITTEE BY FAAC

- a) **Waivers and Taxes:** The Federal Inland Revenue Service (FIRS) reported to the Sub-Committee that the Service is currently in the process of recovering the outstanding amount of **₦3,658,128,726.39** using the best options permissible by law.

b) **Update on CBN Over stated Revenue of N14.49 Billion:**

Members may wish to note that this matter has finally been concluded by the Sub-Committee. A final Report containing the background of the issues, the findings and resolutions is hereby provided as **Annexure A''** to this Report. However, a summary of the resolutions reached by the Sub-Committee are presented here for ease of reference:

- i. FAAC should request CBN to explain reasons for use of different exchange rates to monetize Agencies inflows into the Federation Account while the Agencies remits the accruable revenue using a different exchange rate based on CBN mandate. Specifically the exchange rate used in monetizing NNPC profit margin of July, 2019 or pay the variance to the tune of **₦93,261,773.37** which arose as a result of CBN using a different exchange rate of **₦305.85/\$** which amounted to **₦53,662,054,810.86** while NNPC remitted the sum of **₦53,755,316,584.23** using **₦306.85/\$**; Since CBN did not make themselves available to give explanations to the Sub-Committee; and

- ii. Due to double counting observed from the Analysis, it was agreed that FAAC should request CBN to correct the Component Statement to reflect that:
- JV PPT of **₦6,725,479,600.47** in April, 2019 belonged to FIRS.
 - JV Royalty of **₦5,164,680,333.96** in July, 2019 belonged to DPR.
- c) **Update on the Review of Indices for the Horizontal Sharing of Revenue in the Federation Account:** The matter is still work in progress.
- d) **Update on ₦6.32 Trillion Withheld by NNPC and KPMG Reports:**
Members may wish to note that several meetings with the Stakeholders were held in order to conclude the assignment. Following the resolutions reached by parties recently, further meetings were held between Stakeholders from Monday, 5th July, to Thursday, 8th July, 2021, which had recorded notable progress. It is hoped that the issues would be resolved within the next few weeks.
- e) **Assessing the impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in April, 2021:** For the Month of May, 2021, the Sub-Committee wishes to report that a total sum of **\$16,909,826.53** which was equivalent of **₦8,925,572,165.05** was received in the Federation as arrears payment from different sources as depicted in Table 1 below. These payments were as a result of the monthly analysis and reconciliation of revenue collections and remittances into the Federation Account and had markedly reduced the amount of arrears against some of the Revenue Generating Agencies. Table 2 shows the cumulative amount received into the Federation Account from January to May, 2021 as arrears owed to the Federation Account.

Table 1: Revenue Inflows of Arrears Owed to the Federation Account in May, 2021

S/N	Detail	Amount of Receipts in USD (\$)	Amount in Naira Equivalent (₦)
i.	NNPC NLNG Sales (Arrears)	1,628,569.51	623,416,408.43
ii.	CNL/NNPC JV Miscellaneous Income	718,200.00	274,926,960.00
iii.	NNPC Southern Hydro-Carbon Ullage Arrears	14,563,057.02	5,130,047,962.13
iv.	GACN-NNPC Share of Equity Gas Revenue (Arrears)	-	2,897,180,933.99
	TOTAL	16,909,826.53	8,925,572,165.05

Source: FAAC Analysis, May, 2021

Table 2: Summary of FAAC PMSC Impact on Outstanding Arrears of Revenues Inflow to the Federation Account from January to May, 2021

S/N	Month	Amount Paid in USD (\$)	Amount Paid in Naira Equivalent (₦)
i.	December/January, 2021	198,604,596.24	75,271,141,974.96
ii.	January/February, 2021	196,867,789.43	74,370,755,973.70
iii.	February/March, 2021	291,379,957.34	110,515,679,179.35
iv.	March/April	243,347,267.08	92,127,237,118.87
v.	April/May	16,909,826.53	8,925,572,165.05
vi.	Total	947,109,436.62	361,210,386,411.93

Source: FAAC Analysis, May, 2021

3.0 SUMMARY OF GROSS FEDERATION ACCOUNT REVENUE INFLOWS FOR THE MONTH OF MAY, 2021

- 3.1 For the month of May, 2021, a total sum of **₦422,564,781,333.19** was remitted into the Federation Account as reflected in the Central Bank Component Statement. Details of each Agency's contribution to the Federation Account for the period under reference are as indicated in Table 3 below.

Table 3: Summary of Gross Federation Account Revenue Collections Contribution as Indicated in CBN Component Statement for the Month of May, 2021

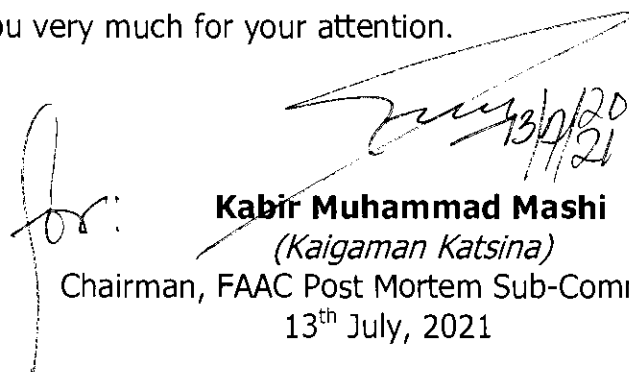
S/N	Detail	May, 2021 (₦)	Percentage Contribution (%)
i.	NNPC Crude Oil and Gas Profit Receipts (NNPC)	13,465,508,627.43	3.19
ii.	Department of Petroleum Resources/MPR (DPR)	127,024,895,292.74	30.06
iii.	Federal Inland Revenue Service (FIRS)	178,688,890,842.48	42.29
iv.	Nigeria Custom Service (NCS)	102,806,974,492.91	24.33
v.	Ministry of Mines and Steel Development (MMSD)	578,512,082.63	0.14
vi.	Total	422,564,781,333.19	100.00

Source: FAAC Analysis, May 2021

- 3.2 Please note that, a total sum of **₦181.078 billion** accrued into the VAT Pool Account for the month of May, 2021 as compared to the sum of **₦176.710 billion** in April, 2021.

4.0 Conclusion

- 4.1 Thank you very much for your attention.


Kabir Muhammad Mashi
(Kaigaman Katsina)
Chairman, FAAC Post Mortem Sub-Committee
13th July, 2021

ANNEXURE "A"

FINAL REPORT OF THE AD-HOC COMMITTEE ON CENTRAL BANK OF NIGERIA (CBN) REMITTANCES OF NNPC/FIRS/DPR/ REVENUE INFLOW INTO THE FEDERATION ACCOUNT FROM THE CBN COMPONENT STATEMENTS FOR YEARS 2018, 2019 AND 2020

1.0 Introduction

1.1 You may recall that at the Federation Account Allocation Committee (FAAC) meeting held on Thursday, 15th October, 2020, the issue of the deduction of **₦14,491,219,893.52** from Department of Petroleum Resources (DPR) Account by Central Bank of Nigeria (CBN) was discussed extensively. The meeting called on CBN to provide detailed explanation on the deduction and it did, however, members were not satisfied with the explanation given, it therefore directed CBN to provide written response to FAAC.

2.0 Accordingly, CBN wrote to FAAC and the response was conveyed in a memo to FAAC Plenary on 20th January, 2021 by its Secretariat. After extensive deliberation, the matter was referred to the FAAC Post Mortem Sub-Committee to further examine the explanations presented by CBN on the deduction of **₦14,491,219,893.52** and other similar cases of under-transfer/under-remittance into the Federation Account in violation of the mandates given to it by Revenue Generating Agencies covering the last three years (2018 to 2020).

3.0 In view of the above, the Sub-Committee constituted an Ad-hoc Committee to examine the matter and the composition is as follows:

- | | | | |
|-------|------------------------------|---|---------------------------|
| i. | H. E. Chris Akomas | - | Chairman |
| ii. | Barr. Patrick Mgbegu | - | Member (RMAFC) |
| iii. | Mr. Alfred Egba | - | Member (RMAFC) |
| iv. | Haj. Salamatu Bala Mohammed | - | Member (RMAFC) |
| v. | Mr. Ahmed Yusuf | - | Member (RMAFC) |
| vi. | Mr. David Olofu | - | Chairman HCF Forum |
| vii. | Alh. Umar Balarabe A. | - | Chairman, AG Forum |
| viii. | Mr. Useni Gangum | - | Post Mortem Sub-Committee |
| ix. | Mrs. Catherine Igundunasse | - | CBN Representative |
| x. | Mr. Bello Abdullahi | - | NNPC Representative |
| xi. | Mrs. Frances Okoroafor | - | FIRS Representative |
| xii. | Mrs. C. J. I. Fana-Granville | - | DPR Representative |

xiii.	Mr. Nanzin J. Wuyep	-	Director Allocation/Secretary
xiv.	Mrs. Chinasa Mary Okpala	-	DD (FAC)
xv.	Mary Dasibel	-	AD (FAC)
xvi.	Mrs. Imaobong Samuel	-	Secretariat
xvii.	Mr. Bernard Udeh	-	Secretariat
xviii.	Miss Linda Nweke	-	Secretariat

4.0 Terms of Reference

The Ad-hoc Committee has the following as terms of reference:-

- a) To examine other un-transferred/unremitted revenue to the Federation Account by CBN in violation of Revenue Generating Agencies for the period 2018 to 2020;
- b) To look at any other related issues; and
- c) To recommend as appropriate to the FAAC Post Mortem Sub-Committee.

5.0 Methodology

The Ad-hoc Committee adopted the following methodology:

- i. To examine Agencies inflow into CBN and subsequent remittance into the Federation Account for the past three years (2018 to 2020);
- ii. To analyse similar issues of overstatement/under-transfer/under-remittance to the Federation Account by CBN;
- iii. To write and interact with CBN and relevant Agencies on the issue; and
- iv. Any other approach that would assist the Ad-hoc Committee in carrying out its assignment.

6.0 NNPC/FIRS/DPR/ Revenue Inflow into the Federation Account from the CBN Component Statements for the period 2018 to 2020

6.1 The FAAC Consultants and the Secretariat conducted a critical analysis on the NNPC/FIRS/DPR/ Revenue Inflow into the Federation Account from the CBN Component Statements for years 2018, 2019 and 2020 and forwarded same to CBN and the relevant Agencies to look at and submit their position to the Secretariat.

6.2 Consequently, the relevant Agencies submitted their responses to the Secretariat, which was presented to the Ad-hoc Committee at its meeting. During the meeting, the documents presented by the relevant Agencies in respect of the Revenue Inflow into the Federation Account from the CBN Component Statements for the period 2018 to 2020 was considered and the following was brought to the attention of the Ad-hoc Committee by the Agencies:

- i. That all the amount captured as inflows in the three years analysis had been paid into the Federation Account, therefore there were no amount missing;
- ii. In some instances, there were cases of wrong classification of revenue heads captured in the Analysis; and
- iii. There were also cases of misrepresentation of figures supposedly lifted from the NNPC report to FAAC; and
- iv. That the multiple CBN exchange rates conversion and translation has contributed to miscalculations of outstanding NNPC Profit Margin, DPR JV Royalty, FIRS JV Taxes (PPT and CITA) and the transfer into OAGF FAAC Equalization Federation Account.

7.0 Based on the above submission by the Agencies, a further look was taken into the three years analysis and the responses of the relevant Agencies. This resulted in new discoveries which was articulated and presented in a paper titled **"Re: Analytical Brief on NNPC/FIRS/DPR Revenue Inflow into and from the CBN Component Statement of the Federation Account for the years 2018 to 2020"** to the Ad-hoc Committee in another meeting held on 15th June, 2021 by the Consultant.

8.0 The relevant Agencies were once again granted some time to critically examine the aforementioned paper and make its submissions. Consequently, the Agencies made submissions to the Secretariat which was presented to the Ad-hoc Committee for further consideration. During the meeting, the submissions of the Agencies were carefully examined and discussed and the following were the observations/findings:

9.0 Findings

- a) The Agencies (NNPC, FIRS and DPR) confirmed that there were no any outstanding to the Federation Account;
- b) There were instances of misclassification of revenues;

- c) There were instances of different exchange rates used by the Agencies in remitting revenue accruals into the Federation Account and that used by CBN in monetizing the funds for distribution to the tiers of Government;
- d) There were inflows paid into the Federation Account by NNPC on behalf of FIRS and DPR in 2019; The amount were supposed to be revenues from FIRS and DPR, however, the amounts were recorded in favour of NNPC in the CBN component statement. Hence, same revenue is recorded in the books of the Agencies (DPR, FIRS and NNPC) as their contribution to the Federation Account and this was seen as double counting.

10.0 Resolution

10.1 Based on the foregoing, the Ad-hoc Committee resolved:

- i. that FAAC should be requested to write a letter to CBN to explain why it uses different exchange rates to monetize Agencies inflows into the Federation Account while the Agencies remits the accruable revenue using a different exchange rate based on CBN mandate. Specifically the exchange rate used in monetizing NNPC profit margin of July, 2019 or pay the variance to the tune of **N93,261,773.37** which arose as a result of CBN using a different exchange rate of **N305.85/\$** which amounted to **N53,662,054,810.86** while NNPC remitted the sum of **N53,755,316,584.23** using **N306.85/\$**; since CBN did not make themselves available to give explanations to the Sub-Committee ; and
- ii. that FAAC should request CBN to correct the component statement to reflect that:
 - JV PPT of **N6,725,479,600.47** in April, 2019 belonged to FIRS.
 - JV Royalty of **N5,164,680,333.96** in July, 2019 belonged to DPR.

11.0 Recommendations

11.1 The Ad-hoc Committee hereby presents resolution (i and ii) above as its recommendations.

12.0 Conclusion

12.1 The Ad-hoc Committee wishes the Sub-Committee to note that DPR/FIRS/NNPC position on the Revenue Inflow into and from the CBN Component

Statement of the Federation Account for the years 2018 to 2020 revealed that there were no amount outstanding within the period under review.

12.2 This Report is therefore submitted for the consideration of the Sub-Committee.



H.E. Chris Akomas PhD, FNIM
(Ad-hoc Committee Chairman)