

**FAAC POST-MORTEM SUB-COMMITTEE REPORT TO
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY
MEETING HOLDING ON WEDNESDAY, 15TH SEPTEMBER, 2021**

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting for the Month of September, 2021 was held on Wednesday, 15th September, 2021 at the Board Room of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). 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 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 On Taxes:** The Federal Inland Revenue Service (FIRS) is yet to report any further update from the previous month in which it reported that it is effecting the process of recovery for various outstanding sums using the legal processes available by law, having appointed some Commercial banks as agents for recovery of owed amounts totaling **₦3,658,128,726.39**.
- b) **Update on NNPC's Deductions in Respect of Government Priority Projects:** NNPC provided update on Government Priority Projects for second quarter, 2021. The information submitted by NNPC gave details of only four (4) out of the ten (10) projects namely: the Port Harcourt Refinery Rehabilitation, Gas and Power Projects, Frontier Services (FES) and Renewable Energy Development which are at different levels of completion. A template that will capture all the projects, budget provisions, what has been expended and the timelines is being developed to enable the Committee submit a full report at the next meeting.
- c) **Update on the Review of Indices for the Horizontal Sharing of Revenue in the Federation Account:** The matter is still work in progress. However, Members may recall that the Commission had earlier completed the

Advocacy and Sensitization Program for the Exercise. The next Phase of the Exercise will be the tooling Program with States and Local Governments. This stage would be followed by Data Processing/Analysis and the Verification Exercise.

d) Update on ₦6.32 Trillion Withheld by NNPC and KPMG Reports:

Members may recall that several meetings with the Stakeholders were held in order to conclude the assignment. The Committee considered the historical background surrounding NNPC's Claim against FGN and Federation from the year 2004 to October 2015 which necessitated KPMG's first and second Forensic Audit, and its subsequent withholding of **₦6.32 Trillion** from January, 2012 to October 2020 from Domestic Crude Sales.

During the reconciliation meeting with Stakeholders in June and July 2021, the documents presented by NNPC, OAGF and RMAFC were examined after which the meeting reached a resolution that the certified subsidy by PPRA as at January 2018 was **₦4,026,369,698,361.67** and should be netted off from the amount withheld. Further reconciliation is on-going.

e) Update on \$2,226,998,165.02 NPDC Indebtedness to DPR on Forcados Assets OML 119, 60-63, 11, 24 and 98: Members may recall that in order to resolve this issue, representatives of NPDC, DPR and FAAC Post Mortem Sub-Committee held several meetings in 2018 to 2020. At those deliberations, parties established the size of NPDC Legacy debt on Goods and valuable consideration, Royalty Oil, Royalty Gas Flare Penalty and Concession Rentals. Subsequently, NPDC'S debt and payments were reviewed and updated at the last reconciliation meeting held on 20th to 24th January, 2020.

In furtherance to the foregoing, a recent meeting was held with the Stakeholders from 9th to 12th August, 2021. At the meeting, NNPC made presentation on the status of the legacy debts which were noted. However, representatives of DPR were unavoidably absent from the meetings and hence it was unanimously agreed that another reconciliation meeting be scheduled to enable DPR attend. Accordingly, the reconciliation meeting is being arranged to hold in October, 2021 after which the Report of the outcome will be presented to FAAC at its next meeting.

f) Update on Various Deductions by Nigeria National Petroleum Corporation (NNPC) Before Computation of 13% Derivation to Oil Producing States: You may recall that at the Federation Account Allocation Committee (FAAC) meeting held in July 2021, some members observed that deductions computed by NNPC on Priority Projects, under-recovery and Cost of Collection were done on Gross Revenue while 13% derivation to Oil Producing States was done on Net Revenue. It was also observed that VAT Revenue deductions were made on the gross VAT revenue contrary to the Net Revenue deductions made on Mineral revenue. FAAC plenary subsequently referred the matter to FAAC Post mortem Sub-Committee to examine and report back to it. The Ad-hoc committee set up to examine the issue had been inaugurated and they have commenced the assignment.

g) Update on Increased Gas Revenue Inflow to the Federation Account in the Month of July, 2021: It would also be recalled that at the Federation Account Allocation Committee (FAAC) meeting held in July 2021, members were called to note that Gas revenue accruable to the Federation Account exceeded the revenue from Crude in the month of July, 2021. Members, applauded the development, however requested for an explanation from the relevant Agencies. As no satisfactory explanation were made, the matter was referred to the FAAC Post Mortem Sub-Committee to examine and report back to FAAC Plenary. An Ad-hoc committee was set up to handle the issue. The Committee held its inaugural meeting on Tuesday, 14th September, 2021.

h) Assessing the impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in July, 2021: For the Month of July, 2021, the Sub-Committee wishes to report that a total sum of **\$328,138,443.14** which was equivalent of **₦184,106,700,009.28** 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 remarkably 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 July, 2021 as arrears owed to the Federation Account.

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

| S/N | Detail | Amount of Receipts in USD (\$) | Amount in Naira Equivalent (₦) |
|------|---|--------------------------------|--------------------------------|
| i. | Arrears of Feedstock Sales | 1,785,488.62 | 686,109,712.01 |
| ii. | Miscellaneous Income Receipts | 99,614,575.11 | 38,278,893.33 |
| iii. | Domestic Miscellaneous Income Receipts | 0 | 27,112,703,523.02 |
| iv. | CBN/FIRS Local PPT (Supplementary Arrears for June, 2021) | 0 | 69,533,108,294.10 |
| v. | DPR PSC-DSDP-MCA-Dollar Royalty | 224,179,840.02 | 85,757,756,001.25 |
| vi. | FIRS/NNPC Arrears of MCA Gas Receipts | 2,558,539.39 | 978,743,585.57 |
| | TOTAL | 328,138,443.14 | 184,106,700,009.28 |

Source: FAAC Analysis, August, 2021

Table 2: Summary of FAAC PMSC Impact on Outstanding Arrears of Revenues Inflow to the Federation Account from January to July, 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. | May/June | 504,093,635.91 | 216,756,717,795.29 |
| vii. | June/July, 2021 | 328,138,443.14 | 184,106,700,009.28 |
| | Total | 1,779,341,515.67 | 762,073,804,216.50 |

Source: FAAC Analysis, August, 2021

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

- 3.1 For the month of July, 2021, a total sum of **₦604,519,684,096.33** 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 July, 2021

| S/N | Detail | July, 2021 (₦) | Percentage Contribution (%) |
|------|--|---------------------------|-----------------------------|
| i. | NNPC Crude Oil and Gas Profit Receipts (NNPC) | 67,279,563,789.47 | 11.129 |
| ii. | Department of Petroleum Resources/(DPR) | 199,796,497,527.42 | 33.050 |
| iii. | Federal Inland Revenue Service (FIRS) | 236,716,691,074.20 | 39.158 |
| iv. | Nigeria Custom Service (NCS) | 99,769,264,236.60 | 16.504 |
| v. | Ministry of Mines and Steel Development (MMSD) | 957,667,468.64 | 0.158 |
| vi. | Total | 604,519,684,096.33 | 100.000 |

Source: FAAC Analysis, August, 2021

3.2 Please note that, a total sum of **₦151.134 billion** accrued into the VAT Pool Account for the month of July, 2021 as compared to the sum of **₦154.470billion** in June, 2021.

4.0 Conclusion

4.1 Thank you very much for your attention.


Kabir Muhammad Mashi
(Kaigaman Katsina)

Chairman, FAAC Post Mortem Sub-Committee
20th September, 2021