

FAAC POST MORTEM SUB-COMMITTEE

REPORT TO THE FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) **PLENARY MEETING HOLDING ON TUESDAY, 17TH JANUARY, 2023**

1.0 PREAMBLE:

- 1.1 The various Ad-Hoc Committees of FAAC Post Mortem Sub-Committee (PMSC) held meetings to carry out the assignments given to them, after which the outcome were communicated to the Chairman of the Sub-Committee for onward transmission to FAAC Plenary for the month. The updates provided by each of the constituted Ad-Hoc Committees where applicable is presented hereunder:

2.0 UPDATE ON OUTSTANDING ISSUES REFERRED TO THE COMMITTEE BY FAAC PLENARY

a) Update on Government Priority Projects:

Members may wish to note that the Sub-Committee had earlier informed FAAC Plenary that NNPC Ltd was yet to disclose the locations of the Government Priority Projects to enable the Sub-Committee visit and assess the level of work done in view of the deductions from the Federation Account. Following the implementation of the Petroleum Industry Act, 2021 which transferred all JV assets in the Oil and Gas Sector to NNPC Ltd with the exception of Production Sharing Contract assets, all the Priority Projects are now owned by NNPC Ltd. The total deductions for Government Priority Projects from the January 1999 to July, 2022 amounted to **₦1,096,867,042,733.94**. The Sub-Committee is awaiting further directives from FAAC Plenary on the matter.

b) Update On \$599,813,170.02 NPDC Indebtedness to NUPRC/The Federation Account in respect of Forcados Assets OML 119, 60-63 Series:

Recall that the balance of **\$599,813,170.02** out of the **\$2.2 Billion** Nigeria Petroleum Development Company (NPDC) Legacy Debt owed to Nigeria Upstream Petroleum Regulatory Commission (NUPRC) was signed off after a Presidential waiver of **\$1.56 billion was granted to NNPC/NPDC** by Mr. President. Thereupon, NPDC agreed to a payment plan of nine (9) equal monthly installments of **\$66,645,907.78** starting from May, 2022. However, NPDC/NNPC paid only **\$21,563,800.00** in July, 2022, which was wrongly credited to one of NUPRC Accounts managed by the OAGF.

At the last meeting of the Ad-hoc Committee, the representative of OAGF informed members that the approval sought from the Honorable Minister of Finance had been granted and the amount had been reverted to the appropriate Account i.e. the GVC Account. Secondly, the representatives of NUPRC also confirmed another payment of the sum of **\$21,475,800.00** was also wrongly paid into JV Account and was shared in October, 2022. He also confirmed that the sum of **\$263,494,870** were payments made for GVC by NPDC from May to November, 2022, hence the balance of **\$242,019,070** is warehoused in the GVC Account.

c) Update on Exchange Rate Issues

PART A: Exchange Rate Applied by CBN to FOREX Equalization Account and Exchange Gain

During the reconciliation meeting, it was observed that within the Post-Mandated Period, the issue of Non-Application of Mandated Rates by CBN for the months of March, April and May 2020 resulted in the underpayment to the Forex Equalization Account by **₦67,103,539,195.29**. The Sub-Committee had earlier submitted its Report to FAAC Plenary and awaits FAAC's investigation with CBN to ascertain why mandated rates were not used in the months under reference.

PART B: Exchange Rate Applied by NNPC on Domestic Crude NUPRC/Royalty and FIRS/PPT

On the Exchange Rate application by NNPC on Domestic Crude, FIRS PSC Crude and NUPRC Royalty Crude Sale Values, the Sub-Committee observed some under payments of **₦185,458,842,270.76** to the Federation Account as a result of NNPC using Exchange Rate lower than the CBN official rate on Domestic Crude sale for the period 2015 to 2022. The CBN has confirmed that NNPC did not use the Rate advised by the Bank while NNPC has not yet responded to the matter after several months of being given the analysis to review. Despite the concerns of FIRS, NUPRC and other stakeholders, NNPC Limited has continued to use a different Exchange Rate in remittances to the Federation Account till date. Therefore, the Sub-Committee resolved that FAAC Plenary should:

- a. Take a decision on the appropriate Exchange Rate to be used by NNPC Limited on remittances to the Federation Account going forward to avoid under payments to the Federation Account; and
- b. Engage a third-party Forensic Auditor to validate the established underpayments to the Federation Account by NNPC.

d) Update on Tax Refund

Recall that at the last FAAC Plenary meeting of 18th November, 2022, the issue of Tax refund was discussed extensively after which the FAAC Post Mortem Sub-Committee was assigned to examine the matter and report back.

Consequently, the Sub-Committee wrote to FIRS requesting for relevant information to enable Sub-Committee carry out the assignment. The FIRS has forwarded to the Sub-Committee the relevant documents as requested and the Sub-Committee is still reviewing the documents. The work is in progress.

e) Update on Review of FGN/CBN Treasury Crude Account No: 20054141287

Recall that at the FAAC Plenary meeting held on 18th November, 2022, a presentation was made by a Consultant engaged by Nigeria Governors Forum to ascertain whether all revenues generated by the Revenue Generating Agencies paid into a Designated Account with the Central Bank of Nigeria (CBN) between January 2006 to December 2021 have were fully moved to the Federation Account for distribution to the Federating Units in line with the Provisions of Section 162 of the Constitution of the Federal Republic of Nigeria (As Amended). After extensive deliberations, the matter was referred to FAAC Post Mortem Sub-Committee to review and report back.

Consequently, an Ad-Hoc Committee was constituted to handle the assignment. All the members of the Ad-hoc Committee attended the inaugural meeting scheduled for Thursday, 8th December, 2022, except CBN which turned down the invitation of the Ad-Hoc Committee stating that the bank is not answerable to FAAC Post Mortem Sub-Committee but Revenue Mobilisation Allocation and Fiscal Commission (RMAFC). Therefore, another letter signed by the Chairman of RMAFC requesting the bank to send appropriate representatives to the meetings of the Ad-hoc Committee to enable the Sub-Committee proceed with the assignment was sent, but CBN did not respond.

The Ad-hoc Committee called for another meeting on Thursday, 12th January, 2022 and a letter of invitation, signed by the Chairman of RMAFC was sent to CBN, yet they did not attend. The Sub-Committee has gone to this length to ensure that CBN attends the meeting because they are critical to the issue, without their participation the assignment would not proceed.

3.0 Assessing the Impact of FAAC Post Mortem Sub-Committee on Outstanding Arrears of Revenue Inflows Due to the Federation Account in November, 2022.

- 3.1 For the Month of November, 2022, the PMSC will like to inform the Plenary that the total sum of **\$687,552,746.48** equivalent to **₦272,916,178,043.86** was recovered in favor of the Federation Account as outstanding arrears from several revenue items of collection and paid to the rightly designated accounts.

Table A: Impact of FAAC PMSC On Revenue Inflows into Federation Account From Outstanding Arrears For The Month Of November, 2022

S/N	Detail	Receipts in USD (\$)	Exchange Rate (N/\$)	Amount in Naira (N)
i.	NLNG Feedstock Sales Revenue	5,067,517.78	417.42	2,115,283,271.73
ii.	Crude Oil (JV) Sales revenue arrears	58,544,045.94	417.42	24,437,455,656.27
iii.	FIRS/DSDP Naira PPT-June, 2022 Arrears	350,933,896.90	394.80	138,556,598,527.10
iv.	NUPRC PSC-MCA Dollar	21,182,590.81		8,386,450,983.02
v.	NUPRC/DSDP Naira Royalty-June Oil Sales Revenue	251,824,695.05	394.80	99,420,389,605.74
	TOTAL	687,552,746.48		272,916,178,043.86

Source: FAAC PMSC Analysis, November, 2022

- 3.2 The Sub-Committee would like to inform Members that from January to November, 2022 the recoveries made stood at **₦1,620,336,606,670.97**. Details in Table B below:

Table B: Impact of FAAC PMSC from January to November, 2022

S/N	Month	Monthly Amount	Cumulative Total
i.	January, 2022	26,720,058,058.89	26,720,058,058.89
ii.	February, 2022	88,969,689,985.09	115,689,748,043.98
iii.	March, 2022	182,256,194,980.37	297,945,943,024.35
iv.	April, 2022	30,131,578,321.69	328,077,521,346.04
v.	May, 2022	27,998,770,961.08	356,076,292,307.12
vi.	June, 2022	153,433,931,821.85	509,510,224,128.97
vii.	July, 2022	313,233,771,334.12	822,743,995,463.09
viii.	August, 2022	136,837,479,617.20	959,581,475,080.29
ix.	September, 2022	345,247,570,053.14	1,313,829,045,133.43
x.	October, 2022	33,591,383,493.68	1,347,420,428,627.11
xiv	November, 2023	272,916,178,043.86	1,620,336,606,670.97

Source: FAAC PMSC Analysis, November, 2022

4.0 SUMMARY OF GROSS FEDERATION ACCOUNT REVENUE INFLOWS AND AGENCIES PERFORMANCE FOR NOVEMBER, 2022

- 4.1 For the month of November, 2022, a total of **₦945,782,751,404.76** remitted into the Federation Account for distribution as shown in the Central Bank Component Statement. Details of each Agencies' contribution to the Federation Account for the period under reference are as indicated in Table C hereunder:

Table C: Summary of Gross Federation Account Revenue Collection's Contribution as Indicated on CBN Component Statement for the Month of November, 2022

S/N	Details	Actual Collection (₦)	Percentage Contribution (%)
i.	NNPC	0.00	0.00
ii.	NUPRC	330,532,333,810.73	34.95
iii.	FIRS	472,317,459,307.70	49.95
iv.	NCS	142,932,958,286.33	14.10
v.	MMSD	0.00	0.00
	Total	945,782,751,404.76	100.00

Source: CBN Component Statement, November, 2022

- 4.2 Analysis of performance of the Revenue Generating Agencies with respect to their budgetary targets for November, 2022 is presented in Table D below:

Table D: Agencies Federation Account Revenue Inflows Performance in November, 2022

S/N	AGENCY	APPROVED MONTHLY TARGET	ACTUAL REMITTANCE	VARIANCE	REVENUE PERFORMANCE (%)
		(₦)	(₦)	(₦)	
i	NNPC	N/A	0	0	0
ii	NUPRC/MPR	226,718,665,561.59	330,532,333,810.73	103,813,668,249.14	34.90
iii	FIRS	828,395,909,305.54	472,317,459,307.70	-356,078,449,997.84	49.87
iv	NCS	168,244,961,980.83	142,932,958,286.33	-25,312,003,694.50	15.09
v	MM&SD	578,679,091.00	1,382,785,264.66	804,106,173.66	0.15
vii	TOTAL	1,223,938,215,938.96	947,165,536,669.42	-276,772,679,269.54	100.00

Source: FAAC PMSC Analysis, November, 2022

5.0 VALUE ADDED TAX COLLECTION FOR THE MONTH OF NOVEMBER, 2022

- 5.1 The FIRS VAT collection and remittance into the VAT Pool Account for the month of November, 2022 stood at **₦217,828,648,221.87**. When compared with the monthly budgetary target of **₦203,482,920,586** it gave a positive performance of 100.24% with a positive variance of **₦14,345,727,634.87**. The

cumulative total collection for the year stood at **₦2,261,008,368,248.29** as indicated in the Table E below:

Table E: Value Added Tax Collection As At November, 2022

S/N	Month	Monthly Vat Collection Paid to Vat Pool Account (₦)	Cumulative Total (₦)
i.	January, 2022	191,221,765,349.04	191,221,765,349.04
ii.	February, 2022	177,872,738,753.04	369,094,504,102.08
iii.	March, 2022	219,504,327,729.96	588,598,831,832.04
iv.	April, 2022	178,825,094,248.50	767,423,926,080.54
v.	May, 2022	213,178,969,522.69	980,602,895,603.23
vi.	June, 2022	208,147,551,561.10	1,188,750,447,164.33
vii.	July, 2022	190,256,219,766.09	1,379,006,696,930.42
viii.	August, 2022	231,171,362,639.23	1,610,178,059,569.65
ix.	September, 2022	203,960,792,123.30	1,814,138,851,692.95
xi.	October, 2022	229,040,868,333.47	2,043,179,720,026.42
xii.	November, 2023	217,828,648,221.87	2,261,008,368,248.29

Source: FAAC PMSC Analysis, November, 2022

6.0 EMTL COLLECTION AND BALANCE AS AT NOVEMBER, 2022

- 6.1 The total Receipts into EMTL account from January, 2021 to November, 2022 stood at **₦215,614,963,053.21** and the sum of **₦109,132,448,675.00** was disbursed leaving a balance of **₦106,898,399,378.21**. The Sub-Committee earlier reported that there was an on-going reconciliation between CBN and FIRS on the shortfalls in respect of the duplicate payments made to the tune of **₦3,403,573,888.22** by Ecobank Plc in the month of October, 2022.

7.0 NNPC VALUE SHORTFALL RECOVERY FROM FEDERATION ACCOUNT FOR THE MONTH OF OCTOBER, 2022

- 7.1 The NNPC Ltd deducted the sum of **₦152,852,247,197.02** as PMS value shortfall recovery for the month of November, 2022. This brings the cumulative deduction between January and November, 2022 to a total sum of **₦3,302,465,705,596.30**. Details are in Table below:

Table G: Summary of NNPC Ltd. Value Shortfall Recovery From Federation Account From January to November, 2022

S/N	Month	Monthly Shortfall Recovery from FA (₦)	Cumulative Total (₦)
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i.	January, 2022	210,381,727,053.04	210,381,727,053.04
ii.	February, 2022	219,783,148,011.13	430,164,875,064.17
iii.	March, 2022	245,772,559,462.62	675,937,434,526.79
iv.	April, 2022	271,588,672,761.88	947,526,107,288.67
v.	May, 2022	327,065,907,048.06	1,274,592,014,336.73
vi.	June, 2022	319,176,182,836.31	1,593,768,197,173.04
vii.	July, 2022	448,782,119,154.91	2,042,550,316,327.95
viii.	August, 2022	525,714,373,874.60	2,568,264,690,202.55
ix.	September, 2022	341,937,201,245.33	2,910,201,891,447.88
xi.	October, 2022	239,411,566,949.40	3,149,613,458,399.28
xii.	November, 2023	152,852,247,197.02	3,302,465,705,596.30

Source: FAAC PMSC Analysis November, 2022

8.0 BALANCES IN SPECIAL RESERVE ACCOUNTS FOR THE MONTH OF NOVEMBER, 2022

8.1 The balance in Special Reserve Accounts are given in Table H below:

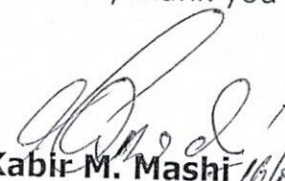
Table H: Balances of Special Reserve Accounts As At 31st November, 2022

S/N	ITEM	AMOUNT
1	Stabilization Fund Account	₦ 19,064,216,008.88
2	Development of Natural Resources	₦ 61,363,583,094.24
3	Domestic Excess Crude Proceed	₦ 4,631,235,143.07
4	Solid Mineral Account	₦14,902,740,787.70
5	Oil Excess Revenue Account	₦ 67,990,026.62
6	Police Trust Fund Account	₦27,389,773,732.82
7	Non-oil Excess Revenue Account	₦ 440,000,000,000.00
8	Forex Equalization Account	₦ 158,856,702,261.89
9	Excess Crude/PPT Account	\$ 473,754.57

Source: FAAC And MMSD Report for November, 2022

9.0 Conclusion

9.1 The Chairman and Members of FAAC, thank you for your attention.


Kabir M. Mashi
 Kaigaman Katsina
 Chairman, FAAC PMSC