

**FAAC POST-MORTEM SUB-COMMITTEE REPORT TO  
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY  
MEETING HOLDING ON TUESDAY, 22<sup>ND</sup> MARCH, 2022**

**1.0 PREAMBLE**

- 1.1 The FAAC Post-Mortem Sub-Committee meeting for the month of February, 2022 was held on Tuesday, 15<sup>th</sup> March, 2022 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 Sub-Committee.
- 1.2 The Sub-Committee discussed several issues and hereby present 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) reported that reconciliation meetings at the State Offices were on-going and further updates would be provided as soon as they occur. The current outstanding balance is **₦3,591,039,664.26**.
- b) Update on NNPC's Deductions in Respect of Government Priority Projects:** At the Sub-Committee meeting, NNPC again failed to present a comprehensive report on Government Priority Projects for Year 2021. In view of this, the Sub-Committee resolved to conduct an inspection visit to all the Government Priority Projects based on the resolution of FAAC Plenary on Thursday, 20<sup>th</sup> May, 2021, that: **"The Post Mortem Sub-Committee should maintain a regular monitoring and evaluation of the various projects to ensure value for cost incurred as well as strict compliance to the timelines for the Projects"**

Members may note that deductions for Government Priority Projects in January, 2022 amounted to a total of **₦24,836,128,257.47**. Additionally, based on FAAC records, the Cumulative deductions for Government Priority Projects from January to December, 2021 stood at **₦350,776,982,830.71** as shown in Table 1.



**Table 1: Summary of NNPC's Cumulative Monthly Total FGN Priority Projects Funding from January to December, 2021**

S/N	Month	Monthly Total FGN Priority Projects Funding(N)	Cumulative Total (N)
i.	January, 2021	21,467,671,699.28	21,467,671,699.28
ii.	February, 2021	22,098,245,550.49	43,565,917,249.77
iii.	March, 2021	35,455,644,968.17	79,021,562,217.94
iv.	April, 2021	18,508,874,701.44	97,530,436,919.38
v.	May, 2021	31,078,620,119.51	128,609,057,038.89
vi.	June, 2021	27,225,514,888.32	155,834,571,927.21
vii.	July, 2021	29,364,585,387.98	185,199,157,315.19
viii.	August, 2021	31,451,991,609.17	216,651,148,924.36
ix.	September, 2021	33,827,580,931.93	250,478,729,856.29
x.	October, 2021	24,746,761,996.38	275,225,491,852.67
xi.	November, 2021	21,241,329,549.93	296,466,821,402.60
xii.	December, 2021	54,310,161,428.11	<b>350,776,982,830.71</b>

Source: FAAC Analysis, February, 2022

**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 \$2,226,998,165.02 NPDC Indebtedness to DPR on Forcados Assets OML 119, 60-63, 11, 24 and 98:** At the Sub-Committee meeting held on Tuesday, 15<sup>th</sup> March, 2022, the representative of NUPRC informed the meeting that the Managements of NNPC and NUPRC met on Wednesday, 9<sup>th</sup> March, 2022 and adopted a resolution on the matter. However, after extensive deliberation on the matter, the Sub-Committee resolved that both FIRS and NUPRC should avail the Post-Mortem Sub-Committee copies of the resolutions reached between them and NNPC on the Legacy Debt to enable the Sub-Committee conclude the assignment.

**e) Update on increased Gas Revenue Inflow to the Federation Account in the Month of July, 2021.**

The Sub-Committee wishes to update Members on the progress made on the Analysis of documents submitted by NNPC:

- The Analysis of the submission presented by NNPC had shown that the surge in Gas revenue in the months of July and August, 2021 was as a result of Reconciliation Arrears paid into the Federation Account from Miscellaneous Income, Gas, Ullage fees, Osubi Air Strip and Withholding Tax (WHT). Based on the submission, the sum of **₦1,644,917,983.28** was strictly accruable to Gas from reconciliation balances of April, 2018 while the sum of **₦7,340,652,022.31** was cumulative amount for Gas, Ullage fees, Osubi and miscellaneous revenue. Based on this, the Sub-Committee had requested NNPC to segregate the amount accruable to each sub-heads (i.e Gas, Ullage fees, Osubi, and Miscellaneous revenue) from the cumulative amount of **₦7,340,650,022.31** in order to ascertain the actual Gas revenue for the period. (See **Annexure 'A'**).



Members may wish to note that since July 2021, NNPC has been remitting other miscellaneous revenues from reconciliation balances into the Federation Account monthly and these need to be reconciled sub-head by sub-head by NNPC.

In addition, **NNPC records indicated that unreconciled Ullage fees paid into NNPC Sinking Fund by SPDC were also part of the revenues remitted into Federation Account in July, 2021.** NNPC was further requested to provide more information in respect of the Sinking Fund Account and any interest accrued thereof (if any).

- ii. Members may recall that the issue of PMS consumptions which had been of great concern to the Sub-nationals was also assigned to the Sub-Committee to look into. Hence, the details of State by State PMS consumption was requested from NNPC and NMDPRA for the period January to September, 2021. Accordingly, NNPC submitted total volume of PMS consumption for the period as **16,228,872,406** litres. Whereas NMDPRA reported **16,070,683,413 litres** thereby showing a variance of **158,188,992** litres (**See Annexures 'B and C'**).

The Sub-Committee is further examining the complete data of PMS consumption for year 2021 and would submit its final report as soon as the Assignment is completed.

- g) **Exchange Rate Issues:** The Sub-Committee is still working on the two aspects of the assignment received from FAAC Plenary and wishes to update Members on the various developments as follows:

- i. **Exchange Rate Application by NNPC on Domestic Crude** – On the exchange rate application, the Sub-Committee had concluded a one-year (January to December, 2021) analysis of the Exchange rates applied by NNPC on Domestic Crude Cost payable to the Federation Account which revealed some underpayments as shown in table 2 below:

**Table 2: Summary of Outstanding Amounts from Analysis of 2021 CBN and NNPC Exchange Rate Applications**

S/N	Item	Naira (₦)	Dollar (\$)
1	Domestic Crude Cost payable to the Federation Account	5,420,527,931.39	
2	NUPRC DSDP Naira Royalty	1,267,495,986.16	-
3	FIRS PSC-DSDP Naira PPT	1,326,916,317.14	-
4	NUPRC DSDP Dollar Royalty		3,121,483.80
	<b>Total</b>	<b>8,014,940,234.69</b>	<b>3,121,483.80</b>

Source: FAAC Analysis, February, 2022

These underpayments were as a result of the application of exchange rates used by NNPC at different periods which were consistently at variance with those provided by the Central Bank of Nigeria (CBN).

The Sub-Committee had requested NNPC to refund the accumulated amounts mentioned above to the Federation Account and comply with the exchange rate as advised by CBN in remitting proceeds to Federation Account. **NNPC in its response, cited a timing**



**difference as its reason for using a different exchange rate as against those provided by CBN and conclusively demanded for a refund of ₦2,594,412,703.30 as underpayment to it by the Federation Account.**

Members are invited to note that all the other Stakeholders at the reconciliation meetings, which include NUPRC, CBN, NMDPRA, FIRS, FAAC PMSC, agreed with the computations of accumulated amounts, as well as the claims by the Federation. Based on the foregoing, the Sub-Committee resolved at its last meeting to write another request to NNPC Top Management for the refund of the underpayment of **₦8,014,940,234.69** and **\$3,121,483.80** while it awaits the report from the Office of the Forum of Commissioners of Finance in order to harmonize the final report.

- ii. **Transactions Made from Exchange Gain and Forex Equalization Account**–Work on the remaining three years periods covered in this assignment (2017-2019) is still on-going. A report as would submitted as soon as the assignment is completed.

- h) **Assessing the Impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in January, 2022:** For the Month of January, 2022, the Sub-Committee wishes to report that a total sum of **\$86,200,310.48** which was equivalent of **₦35,531,920,776.72** was received into the Federation Account as arrears of payment from different sources as Shown in Table 3 below. These payments were made as part of efforts by the Sub-Committee's monthly analysis and reconciliation of revenue collections and remittances into the Federation Account and this had significantly reduced the amount of arrears against some of the Revenue Generating Agencies.

**Table 3: Revenue Inflows of Arrears Owed to the Federation Account in January, 2022**

S/N	Detail	Amount of Receipts in USD (\$)	CBN Exchange Rate/\$	Amount in Naira Equivalent (₦)
i.	NLNG Sales (Arrears)	8,011,750.25	389.00	3,116,570,847.25
ii.	General Insurance Claims	62,928.77	389.00	24,479,291.53
iii.	Southern Hydro Carbon	22,674,870.16	389.00	8,820,524,492.24
iv.	NUPRC Good and Valuable Consideration	26,836,056.00	389.00	10,439,225,784.00
v.	Pan Ocean – Domestic Gas Arrears	-	-	2,000,000,000.00
vi.	NUPRC Dollar Royalty Arrears (November)	5,206,950.00	389.00	2,025,503,550.00
vii.	N-Gas	1,141,109.61	389.00	443,891,638.29
viii.	Mobil	22,266,645.69	389.00	8,661,725,173.41
	<b>Total</b>	<b>86,200,310.48</b>		<b>35,531,920,776.72</b>

Source: FAAC Analysis, February, 2022

### **3.0 Summary of Gross Federation Account Revenue Inflows for the Month of January, 2022**

- 3.1 For the month of January, 2022, a total sum of **₦402,216,356,229.66** 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 4.



**Table 4: Summary of Gross Federation Account Revenue Collections, Contribution as Indicated in CBN Component Statement for the Month of January, 2022**

S/N	Detail	January, 2022 (₦)	Percentage Contribution (%)
i.	NNPC Crude Oil and Gas Sales Revenue Receipts	0	0
ii.	Nigerian Upstream Petroleum Regulatory Commission (NUPRC)	109,540,314,013.84	27.23
iii.	Federal Inland Revenue Service (FIRS)	162,925,743,659.27	40.51
iv.	Nigeria Custom Service (NCS)	129,167,612,205.24	32.11
v.	Ministry of Mines and Steel Development (MMSD)	581,686,351.31	1.15
vi.	<b>TOTAL</b>	<b>402,216,356,229.66</b>	<b>100.00</b>

Source: FAAC Analysis, February, 2022

3.2 An analysis of the performance of the Revenue Generating Agencies vis-à-vis their approved collection target for January, 2022 is presented as Table 5.

**Table 5: Summary of Agencies' Performance Vis-a-Vis Approved Target for January, 2021**

S/N	AGENCY	APPROVED TARGET (January, 2021) (A)	ACTUAL REMITTANCE (January, 2021) (B)	VARIANCE (C=B-A)	REVENUE PERF (%) D=B/A X 100	REMARKS	CONTR. TO FED ACCT %
1	NNPC	Not Available	0	Not Applicable	N/A	N/A	0
2	NUPRC	266,718,665,561.59	109,540,314,013.84	(157,178,351,547.75)	41.07	Negative	27.23
3	FIRS	607,344,699,572.77	162,925,743,659.27	(444,417,955,913.50)	26.83	Negative	40.51
4	NCS	168,244,961,980.83	129,167,612,205.24	(39,077,349,775.59)	76.77	Negative	32.11
5	MMSD	578,679,091.50	581,686,351.31	3,007,259.81	100.52	Positive	1.15
6	<b>TOTAL</b>	<b>1,042,887,006,206.69</b>	<b>402,216,356,229.66</b>	<b>(640,670,649,977.03)</b>			<b>100.00</b>

Source: FAAC Analysis, February, 2022

## 4.0 VAT Pool Account Collection for January, 2022

4.1 A total sum of **₦191,221,765,349.04** accrued into the VAT Pool Account for the month of January, 2022 as compared to the sum of **₦201,255,376,025.07** in December, 2021. The information shows that FIRS VAT collection for the January, 2022 was lower than its monthly target by **₦12,261,155,237.06** is shown in table 6 below.

**Table 6: VAT Pool Account Collections Analysis or January 2022**

S/N	Month	Monthly Target	Actual Collection	Variance	Remark	Performance %
1	January, 2022	203,482,920,586.10	191,221,765,349.04	(12,261,155,237.06)	Negative	93.97

Source: FAAC Analysis, February, 2022

## 5.0 NNPC Value shortfall recovery from Federation Account January, 2022 and January to December, 2021


5.1 Note that the sum of **₦210,381,727,053.04** was deducted by NNPC as premium motor spirit (PMS) Subsidy for the month of January, 2022.

**6.0 Balances of EMTL and Police Trust Fund As At 31<sup>st</sup> January, 2022:**

- 6.1 Members may wish to note that as at 31<sup>st</sup> January, 2022 the balance in the FIRS Electronic Money Transfer Levy (**ETML**) Revenue Collection stood at **₦120,708,104,202.89**.
- 6.2 While the balance in the Police Trust Fund Account was **₦28,650,501,588.89** as at same date.

**7.0 Conclusion**

- 7.1 Thank you very much for your attention

  
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Chairman, FAAC Post Mortem Sub-Committee  
21<sup>st</sup> March, 2022