

**FAAC POST-MORTEM SUB-COMMITTEE REPORT TO
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY
MEETING HOLDING ON THURSDAY 24TH FEBRUARY, 2022**

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting for the month of February, 2022 was held on Wednesday, 16th February, 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 out of the outstanding sum of **₦3,653,440,878.42**, the sum of **₦62,401,214.16** had been netted off as a result of the on-going reconciliation meeting at the State Offices. At the Meeting, the Service further clarified that additional sums had been earlier paid but not properly reported to the Head office which formed the basis for the on-going reconciliation. 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's representative informed members that the Corporation had put in place a measure to ensure that a comprehensive report for the Projects is submitted for year 2021 by next month. While the Sub-Committee awaits the details requested, it also intends to conduct a physical inspection of the Projects, beginning with the Port-Harcourt Refinery by first week of March, 2022.

However, members are invited to note that based on FAAC Records, the cumulative deductions on 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	350,776,982,830.71

Source: FAAC Analysis, January, 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 ₦6.32 Trillion Withheld by NNPC: The Sub-Committee had submitted its report and recommendation to the Plenary for further necessary action.

e) Update on \$2,226,998,165.02 NPDC Indebtedness to DPR on Forcados Assets OML 119, 60-63, 11, 24 and 98: The Sub-Committee and NPDC had met severally on this matter and established the sums of **\$1,353,876,824.64** and **₦17,156,249,804.11** as NPDC's Indebtedness to NUPRC as at October, 2021, including an agreement on how NPDC intends to offset the sums. Efforts had been made to meet with NUPRC to enable it accept or reject the figures established but these had proved abortive, hence the report marked as **Annexure 'A'**.

f) 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:

- i. 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) and not from Gas inflow only. Therefore, there may not have been an actual increase in gas revenue in the months under review. However, the Sub-Committee is reviewing further information presented and had requested NNPC to segregate the values of Gas revenue from Miscellaneous income, Ullage fees, Osubi and Gas reconciliation balances of **₦7,340,650,022.31** in order to ascertain the actual revenue inflow from these sources. Additionally, NNPC records indicated that monies had been invested in a Sinking Fund and proceeds from

this Fund were part of the revenue in question. Further details about the Sinking Fund, including interest, etc., is being looked into.

- ii. Members may also note that as a fallout of the Gas Revenue Surge matter, the issue of Gas and PMS consumptions were examined by the Sub-Committee. However, Members may note that a State-by-State PMS consumption data for the period of January- September, 2021 were provided by NNPC and Nigerian Midstream Downstream Petroleum Regulatory Authority (NMDPRA). Whereas NNPC data put total consumption for the period at **16,228,872,406** litres, NMDPRA put it at **16,070,683,413** showing a variance of **158,188,992** litres (**See Annexures 'B and C'**). The Sub-Committee intends to further examine the complete data for year 2021, and other related aspects of the matter and would submit a 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** – Recall that the Sub-Committee had completed analysis of one year (2021) on the Exchange rates applied by NNPC on Domestic Crude Cost payable to the Federation Account which revealed that underpayments to the sum of **₦8,299,843,952.44** for the period of January to December, 2021 which comprises **₦5,420,527,931.39** (Domestic Crude) **₦1,552,399,303.91** (NUPRC DSDP Naira Royalty) and **₦1,326,916,717.14** (FIRS PSC-DSDP Naira PPT). Also note that NUPRC DSDP Royalty has a dollar component amounting to **\$3,121,483.80**.

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 FAAC 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.

It is pertinent to mention that all the other Stakeholders at the reconciliation meetings, which included NUPRC, CBN, NMDPRA, FIRS, FAAC PMSC, agreed that the computations of accumulated amounts, as well as the claims by the Federation were in order. However, NNPC differed in its opinion that exchange rates used were based on its business judgement since the CBN did not provide it with timely advice on the exchange rate to be used for these transactions. The Sub-Committee decided to further review the matter.

- 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 and an a report as expected and would submit a report as soon as the assignment is completed.

h) Assessing the Impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in December, 2021: For the Month of December, 2021, the Sub-Committee wishes to report that a total sum of **\$209,540,730.09** which was equivalent of **₦95,836,482,042.71** was received into the Federation Account as arrears of payment from different sources as Shown in **Table 1** below. These payments were made pursuant to efforts by the Sub-Committee's monthly analysis and reconciliation of revenue collections and remittances into the Federation Account and this had considerably 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 November 2021 as arrears owed to the Federation Account amounting to **\$3,157,399,469.70** or **₦1,526,558,654,630.52**.

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

S/N	Detail	Amount of Receipts in USD (\$)	CBN Exchange Rate/\$	Amount in Naira Equivalent (₦)
i.	NNPC/NLNG Sales Arrears	3,579,344.68	388.68	1,391,215,690.22
ii.	Mobil JVC	803,761.11	388.68	312,405,868.23
iii.	Green Energy International Limited	1,000,000.00	388.68	388,680,000.00
iv.	General Insurance Claims	1,066,364.60	388.68	414,474,592.73
v.	Southern Hydro Carbon	9,076,188.30	388.68	3,527,732,868.44
vi.	Southern Hydro Carbon	50,400,000.00	388.68	19,589,472,000.00
vii.	Interest Payment	225.50	388.68	87,647.34
viii.	Other Domestic Gas Receipts	-	-	13,638,326,227.85
ix.	NNPC/FIRS/PPT Naira Equivalent	147,194,190.58	384.35	56,574,087,147.89
	SUB-TOTAL(DECEMBER, 2021)	209,540,730.09		95,836,482,042.71

Source: FAAC Analysis, January, 2022

Table 2: Summary of FAAC PMSC Impact on Outstanding Arrears of Revenues Inflow to the Federation Account from January to December, 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
viii.	July/August	454,344,767.95	213,641,395,325.26
ix.	August/September	481,398,124.92	202,121,936,793.59
x.	September/October	97,824,902.75	37,789,759,932.33
xi.	October/November	134,949,428.32	215,095,276,320.13
xii.	November/December, 2021	215,095,276,320.13	1,430,174,747,251.14
xiii.	Total	3,157,399,469.70	1,526,558,654,630.52

Source: FAAC Analysis, January, 2022

3.0 Summary of Gross Federation Account Revenue Inflows For The Month Of December, 2021

- 3.1 For the month of December, 2021, a total sum of **₦565,562,899,954.63** 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.

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

S/N	Detail	December, 2021 (₦)	Percentage Contribution (%)
i.	NNPC Crude Oil and Gas Sales Revenue Receipts	20,093,027,689.48	3.68
ii.	Nigerian Upstream Petroleum Regulatory Commission (NUPRC)	155,879,077,935.99	27.56
iii.	Federal Inland Revenue Service (FIRS)	256,894,440,682.22	45.42
iv.	Nigeria Custom Service (NCS)	132,348,441,791.02	23.40
v.	Ministry of Mines and Steel Development (MMSD)	347,911,855.92	0.06
vi.	TOTAL	565,562,899,954.63	100.00

Source: FAAC Analysis, January, 2022

- 3.2 An analysis of the performance of the Revenue Generating Agencies vis-à-vis their approved collection target for December, 2021 is presented as Table 4, while an Analysis of the same performance for the period of January to December, 2021 is shown as table 5.

Table 4: Summary Of Agencies' Performance Vis-a-Vis Approved Target For December, 2021

S/N	AGENCY	APPROVED TARGET	ACTUAL REMITTANCE	VARIANCE	REVENUE PERF	REMARKS	CONTR. TO FED ACCT
		(DECEMBER, 2021)	DECEMBER, 2021)	(C=B-A)	(%)		%
		(A)	(B)		D=B/A X 100		
1	NNPC	Not Available	20,093,027,689.48	Not Applicable	N/A	N/A	3.68
2	NUPRC	156,646,100,348.58	155,879,077,935.99	(767,022,412.59)	99.51	Negative	27.56
3	FIRS	303,753,984,543.11	256,894,440,682.22	(46,859,543,860.89)	84.57	Negative	45.42
4	NCS	118,067,797,591.72	132,348,441,791.02	14,280,644,199.30	112.10	Positive	23.40
5	MMSD	320,646,088.63	347,911,855.92	27,265,767.29	108.50	Positive	0.06
6	TOTAL	773,650,762,536.96	565,562,899,954.63	(208,087,862,582.33)			100.00

Source: FAAC Analysis, January, 2022

- 3.3 Also provided in Table 5 is the performance of the Revenue Generating Agencies vis-à-vis their approved collection target for the period of January to December, 2021. From the information presented, only MMSD surpassed its annual target by **₦1,535,713,328.55**. The table also indicates what was received in the Federation Account from excess bank charges, verification and reconciliation on Accruals into the Federation Account.

Table 5: Summary Of Agencies' Performance Vis-a-Vis Approved Target For January to December, 2021

S/N	AGENCY	APPROVED TARGET	ACTUAL REMITTANCE	VARIANCE	REVENUE PERF	REMARKS	CONTR. TO FED ACCT
		(JAN-DEC,2021)	(JAN-DEC,2021)	(C=B-A)	(%)		%
		(A)	(B)		D=B/A X 100		
1	NNPC	Not Applicable	278,469,173,577.14	Not Applicable	N/A	N/A	4.26
2	NUPRC	1,879,753,204,182.96	1,793,684,168,824.61	(6,069,035,358.35)	95	Negative	27.41
3	FIRS	3,645,047,814,517.30	3,113,511,026,675.18	(531,536,787,842.12)	85.42	Negative	47.58
4	NCS	1,416,813,571,100.64	1,340,264,033,216.54	(76,549,537,884.10)	94.60	Negative	20.48
5	MMSD	6,312,862,815.93	7,848,576,144.48	1,535,713,328.55	124.33	Positive	0.12
6	FMF/OAGF & RMAFC	Not Applicable	9,422,776,910.79			N/A	0.14
7	TOTAL	6,947,927,452,616.83	6,543,199,755,348.74				100.00

Source: FAAC Analysis, January, 2022

4.0 VAT Pool Account Collection Cumulative from January to December, 2021

4.1 A total sum of **₦201,255,376,025.07** accrued into the VAT Pool Account for the month of December, 2021 as compared to the sum of **₦196,175,350,504.14** in November, 2021. The cumulative total FIRS/NCS/CBN VAT Collection for VAT Pool Account from January to December, 2021 amounting to **₦2,072,851,814,837.37** is depicted on table 6. The information also shows the FIRS surpassed its collection target by **₦234,505,007,258.37**.

Table 6: VAT POOL ACCOUNT COLLECTIONS ANALYSIS FOR JANUARY TO DECEMBER, 2021

S/N	Month	Monthly Target	Actual Collection	Variance	Remark	Performance %
1	January, 2021	153,195,567,298.25	157,351,311,374.39	4,155,744,076.14	Positive	102.71
2	February, 2021	153,195,567,298.25	157,326,674,075.96	4,131,106,777.71	Positive	102.70
3	March, 2021	153,195,567,298.25	181,712,025,205.21	28,516,457,906.96	Positive	118.61
4	April, 2021	153,195,567,298.25	176,709,916,743.17	23,514,349,444.92	Positive	115.35
5	May, 2021	153,195,567,298.25	181,077,878,315.77	27,882,311,017.52	Positive	118.20
6	June, 2021	153,195,567,298.25	154,465,144,764.72	1,269,577,466.47	Positive	100.83
7	July, 2021	153,195,567,298.25	151,134,356,595.53	(2,061,210,702.72)		98.65
8	August, 2021	153,195,567,298.25	178,509,197,845.52	25,313,630,547.27	Positive	116.52
9	September, 2021	153,195,567,298.25	170,850,058,826.28	17,654,491,528.03	Positive	111.52
10	October, 2021	153,195,567,298.25	166,284,524,561.61	13,088,957,263.36	Positive	108.54
11	November, 2021	153,195,567,298.25	196,175,350,504.14	42,979,783,205.89	Positive	128.06
12	December, 2021	153,195,567,298.25	201,255,376,025.07	48,059,808,726.82	Positive	131.37
	TOTAL	1,838,346,807,579.00	2,072,851,814,837.37	234,505,007,258.37		

Source: FAAC Analysis, January, 2022

5.0 NNPC Value Shortfall Recovery from Federation Account from January to December, 2021

- 5.1 Note that, Total 2021 Cumulative Value Shortfall Recovery (PMS Subsidy) from Federation Account as at December, 2021 was **N1,430,114,416,928.76** as show on table 7.

Table 7: Summary of NNPC Value Shortfall Recovery from Federation Account from January to December, 2021

S/N	Month	Monthly Shortfall Deduction from the FA (#)	Cumulative Total (#)
i.	January, 2021		
ii.	February, 2021	25,374,228,794.87	25,374,228,794.87
iii.	March, 2021	60,396,474,465.87	85,770,703,260.74
iv	April, 2021	61,966,456,903.74	147,737,160,164.48
v	May, 2021	126,298,457,944.36	274,035,618,108.84
vi	June, 2021	164,337,097,352.49	438,372,715,461.33
vii	July, 2021	103,286,281,752.62	541,658,997,213.95
viii	August, 2021	173,131,639,213.61	714,790,636,427.56
ix	September, 2021	149,383,084,869.20	864,173,721,296.76
x	October, 2021	163,709,314,928.49	1,027,883,036,225.25
xi	November, 2021	131,400,236,846.95	1,159,283,273,072.20
xii	December, 2021	270,831,143,856.56	1,430,114,416,928.76

Source: FAAC Analysis, January, 2022

6.0 Balances of EMTL and Police Trust Fund As At 31ST December, 2021:

- 6.1 Members may wish to note that as at 31st December, 2021 the balance in the FIRS Electronic Money Transfer Levy (ETML) Revenue Collection Account stood at **N111,835,304,221.12**, while the Police Trust Fund Account has a balance of **N52,327,136,153.88** as at same date.

7.0 Conclusion

- 7.1 Thank you very much for your attention.


Kabir M. Mashi

(Kaigaman Katsina)

Chairman, FAAC Post Mortem Sub-Committee

23rd February, 2022