

FAAC POST-MORTEM SUB-COMMITTEE

REPORT OF THE FAAC POST-MORTEM SUB-COMMITTEE MEETING FOR THE MONTH OF MAY, 2023

Presented to the
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) MEETING,
HOLDING ON THURSDAY 18TH MAY, 2023

1.0 PREAMBLE

1.1 The FAAC Post-Mortem Sub-Committee meeting was held on Tuesday 16th May, 2023 at the Board Room of the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC). In attendance were the representatives of RMAFC, States' Commissioners of Finance and Accountants-General Forums as well as representatives of the Revenue Generating and Accounting Agencies. The major issues discussed were as follows:

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

a) 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 Sub-Committee had reported at the last FAAC Plenary that out of the outstanding balance of **\$599,813,170.02** from the Nigeria Petroleum Development Company (NPDC) Legacy Debt, NUPRC confirmed receipt of **\$400,044,925.00** leaving a net outstanding of **\$199,768,245.02**

Note that out of the total sum of **\$400,044,925.00** received, the sum of **\$186,695,800.00** was erroneously transferred to other accounts and undergoing reconciliation for reversal. However, during the reconciliation meeting held on Thursday 11th May, 2023, the OAGF confirmed that the CBN had been given the mandate to reverse the wrong transfers to the appropriate account.

b) Update on Exchange Rate Issues

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

The Non-Application of Mandated Rate by CBN for the months of March, April and May 2020 as revealed by the Sub-Committee's Consultant resulted in the underpayment of **₦67,103,539,195.29** to the Forex Equalization Account. The Sub-Committee had concluded the assignment and reported to FAAC.

Members may recall that after the Sub-Committee's presentation on the matter to FAAC Plenary, it was decided that the Federal Ministry of Finance should further engage with the CBN on the subject matter.

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

Members may wish to recall that the Sub-Committee reported at the last FAAC Plenary that as a result of NNPC using Exchange Rate lower than the CBN mandated official rate on Domestic Crude sale, FIRS PSC Crude and NUPRC Royalty Crude Sale for the period January 2015 to December 2022, the sum of **₦195,595,585,470.70** was established as a shortfall.

Consequently, the Sub-Committee met with NNPC and all the relevant Agencies and agreed on the principles to be used for the remittances. Thereafter, NNPC Ltd requested for some time to discuss with its top management. However, on the 12th of May, 2023, NNPC forwarded its position to the Sub-Committee and it is being looked into by the Ad-hoc Committee.

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

Recall that the Sub-Committee presented to FAAC Plenary, the decisions reached at its meeting held on the 14th of February, 2023 which were:

- (a) That FAAC should request the Nigerian Governor’s Forum (NGF) to engage the Governor of CBN to resolve the issue since the Bank was yet to respond the Sub-Committee’s invitation to the reconciliation meeting; and
- (b) That the PMSC should officially hand it over to the Chairman of RMAFC to take up the issue with the Governor of CBN.

Accordingly, the Sub-Committee had written to the Chairman of RMAFC intimating him of the development. The FAAC Secretariat should update the meeting on item 2 c (a)

3.0 ASSESSING THE IMPACT OF FAAC POST MORTEM SUB-COMMITTEE ON OUTSTANDING ARREARS PAYMENT TO THE FEDERATION ACCOUNT IN MARCH, 2023.

3.1 For the Month of March, 2023, the PMSC will like to inform the FAAC Plenary that a total sum of **N144,037,514,518.20** was recovered in favor of the Federation Account as outstanding arrears from several revenue items of collection and paid to designated accounts. Details as per table1 below.

Table 1: Impact of FAAC PMSC On Outstanding Arrears Payment to the Federation Account For The Month Of March, 2023

S/N	Details	Receipts in USD (\$)	CBN Exchange Rate/\$ (N/\$)	Amount of Receipt in Naira Equivalent (N)
i.	NLNG Feedstock Sales Value Revenue Arrears	47,635,326.80	434.98	20,720,414,451.46
ii.	FIRS DSDP Naira PPT Transfer Arrears			95,666,959,482.83
iii.	NUPRC/DSDP Naira Royalty			20,390,322,561.34
iv.	NUPRC PSC/MCA Oil and Gas Dollar Royalty	16,690,004.19	434.18	7,259,818,022.57
	Total (March, 2023)	64,325,330.99		144,037,514,518.20

Source: FAAC PMSC Analysis, March, 2023

3.2 The Sub-Committee would like to inform Members that from January to March, 2023, the recoveries made stood at **N189,820,663,061.35**. Details as per Table 2 below:

Table 2: Summary of FAAC PMSC Outstanding Arrears payment to the Federation Account from January to March, 2023.

S/N	Month	Monthly Amount (N)	Cumulative Total (N)
i.	January, 2023	1,420,686,474.70	1,420,686,474.70
ii.	February, 2023	44,362,462,068.45	45,783,148,543.15
iii.	March, 2023	144,037,514,518.20	189,820,663,061.35

Source: FAAC PMSC Analysis, March, 2023

4.0 NNPC VALUE SHORTFALL PAYABLES FROM FEDERATION ACCOUNT FOR THE MONTH OF MARCH, 2023

4.1 The NNPC Ltd deducted the sum of **₦341,530,577,208.78** as PMS value shortfall payables for the month of March, 2023 as per table 3 below:

Table 3: Summary of NNPC Ltd. Value Shortfall Recovery from Federation Account as at March, 2023.

S/N	Month	Monthly PMS Value Shortfall Recovery from FA (N)	Cumulative Total (N)
i.	Opening Balance (01/1/2023)		526,461,161,901.53
ii.	January, 2023	309,192,846,944.09	835,654,008,845.62
iii.	February, 2023	255,391,863,631.18	1,091,045,872,476.80
iv.	March, 2023	341,530,577,208.79	1,432,576,449,686.59

Source: FAAC PMSC Analysis March, 2023

4.2 The Sub-Committee requested NNPC to net-off the sum of **₦1,432,576,449,686.59** from the total Value Shortfall of **₦3,602,392,567,863.19** as per NNPC April, 2023 report. However, the NNPC representative explained to the Sub-Committee that the PIA did not authorize the Company to do a net-off.

4.3 The Sub-Committee is hereby recommending that the Chairman FAAC (Hon. Minister of Finance) should work with the NNPC on how to net-off the payable amount in order to reduce the outstanding value shortfall against the Federation Account.

5.0 OUTSTANDING FEDERATION ACCOUNT REVENUE AS AT MARCH, 2023

5.1 The total outstanding due to the Federation Account from the Revenue Generating agencies as at the end of March, 2023 were **\$1,049,008,665.45** and **₦724,847,157,030.74** as per table 4 below.

Table 4: Outstanding Federation Account Revenue as at the end of March, 2023

AGENCY	\$	N
NNPC	980,586,109.00	531,706,031,010.11
FIRS/NNPC	14,370,609.23	193,141,126,020.64
NUPRC/NNPC	54,051,947.89	0.00
TOTAL	1,049,008,666.12	724,847,157,030.74

NOTE: The Sub-Committee is still reconciling the outstanding amounts with the relevant agencies.

6.0 VALUE ADDED TAX (VAT) COLLECTION

6.1 FIRS VAT collection in the month of March, 2023 was **N218,785,754,993,15** and the cumulative collection between January to March, 2023 stood at **N709,594,570,741.81** as per table 5 below.

Table 5: Cumulative Total FIRS/NCS/CBN VAT Collection for VAT Pool Account from January to March, 2023

S/N	Month	Monthly VAT Collection Paid to VAT Pool Account (N)	Cumulative Total (N)
i.	January, 2023	250,009,599,932.58	250,009,599,932.58
ii.	February, 2023	240,799,215,816.08	490,808,815,748.66
iii.	March, 2023	218,785,754,993.15	709,594,570,741.81

7.0 BALANCES IN SPECIAL RESERVE ACCOUNTS FOR THE MONTH OF MARCH, 2023

7.1 The balance in Special Reserve Accounts as at 31st March, 2023 as per Table 6 below:

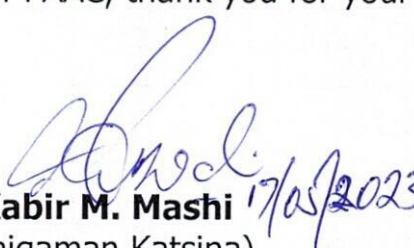
Table 6: Balances of Special Reserve Accounts as at the end of March, 2023

S/N	ITEM	AMOUNT
1	Stabilization Fund Account	₦ 24,544,189,951.18
2	Development of Natural Resources	₦ 91,387,219,320.26
3	Domestic Excess Crude Proceed	₦ 5,029,574,399.07
4	Solid Mineral Account	₦ 18,974,378,323.81
5	Oil Excess Revenue Account	₦ 67,990,026.62
6	Police Trust Fund Account	₦ 0.00
7	Non-oil Excess Revenue Account	₦ 12,020,303,267.49
8	Forex Equalization Account	₦ 68,400,065,148.57
9	EMTL	₦ 94,354,162,528.21
10	Excess Crude/PPT Account	\$ 473,754.57

Source: FAAC And MMSD Report for March, 2023

8.0 Conclusion

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


Kabir M. Mashi 17/05/2023
(Kaigaman Katsina)
Chairman, FAAC PMSC
17th May, 2023