

FAAC POSTMORTEM SUB-COMMITTEE

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

1.0 PREAMBLE:

- 1.1 The FAAC Post Mortem Sub-Committee (PMSC) meeting was held on Tuesday, 17th October, 2023 at the Boardroom of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). In attendance were the representatives of RMAFC, representatives of the Commissioners of Finance and Accountants-General Forum, Senior Technical Assistant to Nigeria's Governors Forum as well as representatives of the Revenue Generating and Accounting Agencies. The updates on matters referred to the Sub-Committee are presented hereunder:

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:

Members may recall that the Sub-Committee had reported during the last FAAC Plenary that out of the **\$599,813,170.02** indebtedness of NPDC to NUPRC, the sum of **\$431,813,425.00** was received as payment on GVC thus, leaving an outstanding balance of **\$146,523,945.02** unpaid. There was no receipt in the month of September, 2023.

The Sub-Committee had earlier recommended that the accrued amount into the GVC Account from the divested Forcados Assets be considered for disbursement to the beneficiaries and the OAGF was directed during the FAAC Plenary of August, 2023 to update the ledger and present to members. The Sub-Committee is working to track the **\$146,523,945.02** unpaid.

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 Rates by CBN for the months of March, April and May 2020 resulted to underpayment to the Forex Equalization Account by **₦67,103,539,195.29**. Members may recall that during the FAAC plenary meeting held in September, 2023, the Federal Ministry of Finance acknowledged the receipt of CBN letter dated August 22nd 2023 stating the bank will not be able to accede to the request for the refund of **₦67,103,539,195.29** as the Federation Account was not shortchanged by the suspension of the use of the mandated rate for the months of March to May, 2023.

Members may also recall that the position of CBN was not accepted and CBN was given another chance to respond appropriately on the issue to enable FAAC take final decision on the matter at the next meeting.

The Sub-Committee looks forward to the decision of FAAC Plenary on the issue.

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

Members may recall that a Stakeholders Alignment Committee was set up to reconcile NNPC's indebtedness to the Federation Account and vice versa. The Sub-Committee had already established the sum of **N81,040,067,824.63** as reconciled outstanding amount as a result of wrong application of Exchange Rate by NNPC on Domestic Crude Oil sales, NUPRC/Royalty and FIRS/PPT crude sales for the period 2015 to 2022. The underpayment was captured by the Alignment Committee as liability against NNPC pending the conclusion of the assignment.

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

The representative of the CBN informed the Sub-Committee during the last meeting that the Bank is working on the issue with the Federal Ministry of Finance. The Sub-Committee awaits the outcome.

d) The Basis of the Computation of 13% Derivation Paid to Oil Producing States Since the Transition of NNPC into a Limited Liability Company as a Result of PIA Implementation.

Members may recall that at the FAAC Plenary meeting of September, 2023, the issue of 13% Derivation was raised and members from the Oil Producing States requested to know the basis of the computation of 13% Derivation because the revenue accruing from derivation reduced drastically despite rise in Crude Oil Production and Price in international market. After extensive deliberation, FAAC Plenary mandated the Sub-Committee to look into the matter. The Sub-Committee is still awaiting a written communication from the FAAC Secretariat in order to commence the assignment. However, the Sub-Committee has gone ahead to set-up an Ad-hoc Committee while awaiting a letter from FAAC Secretariat.

e) Examination of Transfers and Utilization of Savings into the Oil and Non-Oil Revenue Accounts.

Members may recall that at the September 2023 FAAC Plenary meeting, members were concerned that the Federal Government unilaterally withdrew/borrowed monies from the savings that accrued into the Non-Oil/Oil Excess Revenue Account without the consent of the Sub-nationals. After extensive deliberation on the matter, it was referred to the FAAC Post Mortem Sub-Committee to look at. The Sub-Committee is still awaiting a written communication from the FAAC Secretariat in order to commence the assignment.

However, the Sub-Committee has gone ahead to set-up an Ad-hoc Committee while awaiting a letter from FAAC Secretariat.

3.0 ASSESSING THE IMPACT OF FAAC POST MORTEM SUB-COMMITTEE ON OUTSTANDING ARREARS OF REVENUE INFLOWS DUE TO THE FEDERATION ACCOUNT IN AUGUST, 2023.

- 3.1 For the Month of August, 2023 Federation Account, the PMSC will like to inform the Plenary that as a result of reconciliation with Agencies, the total sum of **\$499,208.48** equivalent to **₦107,754,645,102.66** was reconciled and confirmed paid into the CBN designated accounts. Details are as contained in Table A below:

Table A: Impact of FAAC PMSC on Revenue Inflows into Federation Account from Outstanding Arrears for the Month of August, 2023

S/N	Detail	Receipt in US Dollar (\$)	Exchange Rate (N/\$)	Amount in Naira (N)
i.	NUPRC NLNG Royalty Arrears (May, 2023)	280,012.18	756.523	211,835,654.45
ii.	NUPRC NLNG Royalty (June, 2023)	219,196.30	756.523	165,827,042.46
iii.	NNPCL Interim Dividend (July, 2023)	0.00		81,166,666,666.67
iv.	NNPCL Federation Share of 40% PSC Profit (July, 2023)	0.00		26,210,315,739.08
	Total	499,208.48		107,754,645,102.66

Source: FAAC PMSC Analysis, August, 2023

- 3.2 The Sub-Committee would like to inform Members that from January to August, 2023 the outstanding arrears reconciled and paid stood at **₦5,073,836,951,702.23**. Details in Table B below:

Table B: Summary of FAAC PMSC Cumulative Revenue Inflow to the Federation Account from Reconciled Outstanding Arrears from January to August, 2023

S/N	Month	Monthly Reconciled Arrears Inflow to the Federation Account (N)	Cumulative Total (N)
i.	January, 2023	653,704,400,827.01	653,704,400,827.01
ii.	February, 2023	487,106,515,290.89	1,140,810,916,117.90
iii.	March, 2023	638,673,365,209.07	1,779,484,281,326.97
iv.	April, 2023	497,463,160,720.59	2,276,947,442,047.56
v.	May, 2023	702,426,001,621.39	2,979,373,443,668.95
vi.	June, 2023	1,654,043,261,487.23	3,531,702,850,671.15
vii.	July, 2023	1,434,329,455,928.42	4,966,082,306,599.57
viii.	August, 2023	107,754,645,102.66	5,073,836,951,702.23

Source: FAAC PMSC Analysis, August, 2023

4.0 NNPC VALUE SHORTFALL RECOVERY FROM FEDERATION ACCOUNT FOR THE MONTH OF AUGUST, 2023

- 4.1 There was no deduction for PMS value shortfall recovery for the month of August, 2023. The cumulative deductions between January to August, 2023 still remains **₦2,251,836,402,455.77**. Details are in Table C below:

Table C: Summary of NNPC Ltd. Value Shortfall Recovery From Federation Account From January to August, 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
v.	April, 2023	190,572,534,815.11	1,623,148,984,501.70
vi.	May, 2023	254,510,605,682.22	1,877,659,590,183.92
vii.	June, 2023	374,176,813,271.84	2,251,836,402,455.77
viii.	July, 2023	NA	NA
ix.	August, 2023	NA	NA

Source: FAAC PMSC Analysis August, 2023

- 4.2 As you are aware, the Stakeholders Alignment Committee is reconciling subsidy claims by NNPC against amounts withheld, therefore, the FAAC Post-Mortem Sub-Committee is awaiting the Report of the Committee in order to ascertain the actual NNPC indebtedness to the Federation Account.

5.0 OUTSTANDING FEDERATION ACCOUNT REVENUE ARISING FROM THE INTER-AGENCIES RECONCILIATION MEETING AS AT AUGUST, 2023

- 5.1 The total unresolved amount due to the Federation Account from the Revenue Generating Agencies as at August 2023 was **\$285,408,047.08** and **₦158,734,623,128.47** as shown in Table D.

Table D: Summary of Unresolved Federation Account Revenue Due as at August, 2023

AGENCY	Dollar (\$)	Naira (N)
FIRS/NNPCL	\$29,416,506.27	106,043,756,071.49
NUPRC/NNPCL	\$255,991,540.81	52,690,867,056.98
TOTAL	\$285,408,047.08	158,734,623,128.47

Source: FAAC PMSC Analysis August, 2023

- 5.2 Members should note that these outstanding amounts are still being reconciled at the monthly reconciliation meetings between the Agencies and the Sub-Committee. Furthermore, all other outstandings from the Revenue Generating Agencies before June, 2023, were taken to the Stakeholders Alignment Committee and the Sub-Committee awaits the outcome of the reconciliation.

6.0 VALUE ADDED TAX COLLECTION FOR THE MONTH OF AUGUST, 2023

- 6.1 The FIRS VAT collection and remittance into the VAT Pool Account for the month of August, 2023 was **₦345,726,953,300.26**. FIRS 4% cost of collection deduction was **₦13,829,078,132.01**, while 3% North East Development Commission (NEDC) deduction was **₦9,956,936,255.05** leaving a net amount of **₦321,940,938,913.20** for distribution as indicated in the Table E below:

Table E: Value Added Tax (VAT) Collection for the month of August, 2023 Federation Account

Details	EMTL Collection (N)
VAT Collection	345,726,953,300.26
Less: 4% Cost of Collection	13,829,078,132.01
Less: 3% VAT for NEDC	9,956,936,255.05
Net Amount for Distribution	321,940,938,913.20
Distribution	
FGN	48,291,140,836.98
States	160,970,469,456.60
Local Governments	112,679,328,619.629
Net Amount Distributed	321,940,938,913.20

Source: FAAC PMSC Analysis, August, 2023

7.0 ELECTRONIC MONEY TRANSFER LEVEY (EMTL) FOR THE MONTH OF AUGUST, 2023

- 7.1 The FIRS EMTL collection and remittance for the month of August, 2023 was **₦14,690,602,279.89** out of which the sum of **₦587,624,091.20** was deducted as 4% cost of collection leaving a net amount of **₦14,102,978,188.69** for distribution as indicated in the Table F below:

Table F: Electronic Money Transfer Levy (EMTL) for the month of August, 2023 Federation Account

Details	EMTL Collection (N)
EMTL Collection	14,690,602,279.89
Less: 4% Transfer Levy	587,624,091.20
Net Amount for Distribution	14,102,978,188.69
Distribution	
FGN	2,115,446,728.30
States	7,051,489,094.35
Local Governments	4,936,042,366.04
Net Amount Distributed	14,102,978,188.69

Source: FAAC PMSC Analysis, August, 2023

8.0 UPDATE ON BALANCES IN SPECIAL RESERVE ACCOUNTS

8.1 The balances in Special Reserve Accounts as at 31st August, 2023 were as follows:

Table G: Summary of Balances in the Special Accounts as at 31st August, 2023

S/N	ITEM	AMOUNT
a .	Stabilization Fund Account	₦35,489,069,440.05
b .	Development of Natural Resources	₦135,554,808,174.04
c .	Domestic Excess Crude Proceed	₦5,527,498,469.07
d .	Solid Mineral Account	₦ 9,871,940,124.14
e .	Oil Excess Revenue Account	₦ 67,990,026.62
f .	Police Trust Fund Account	₦ 0.00
g .	Non-oil Excess Revenue Account	₦ 575,610,239,905.84
h .	Forex Equalization Account	₦ 18,500,744,903.02
i .	EMTL Account	₦13,953,481,584.17
j .	Exchange Gain	₦ 82,509,877,071.27
k .	Excess Crude/PPT Account	\$473,754.57

Source: OAGF/FAAC/MMSD Records for August, 2023

9.0 AGENCIES REPRESENTATION AT THE FAAC POSTMORTEM SUB-COMMITTEE MEETING

The Sub-Committee observed that representations of some of the agencies at its meetings are low cadre officers and they are unable to respond to some of the issues concerning their Agencies especially CBN. This has resulted in delays in the timely conclusion of assignments given to the Sub-Committee. Based on this, the Sub-Committee decided that the Chief Executives of these Agencies should be notified to nominate appropriate officers to be representing them at the Sub-Committee meetings for maximum and timely delivery of its mandate.

10.0 Conclusion

10.1 Chairman and Members, thank you for your attention, please.


Kabir M. Mashi, OON

(Kaigaman Katsina)
Chairman, FAAC PMSC
August, 2023