

**FAAC POST-MORTEM SUB-COMMITTEE REPORT TO
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY
MEETING HOLDING ON WEDNESDAY, 25TH MAY, 2022**

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting for the month of May, 2022 was held on Tuesday, 17th May, 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 it is still awaiting its Board's approval to nullify the waivers and institute all necessary processes for the recovery of the outstanding sums amounting to **₦3,591,039,664.26**.
- b) **Update on NNPC's Deductions in Respect of Government Priority Projects:** At the Sub-Committee meeting held on Tuesday, 17th May, 2022, Members were informed that another reminder had been sent to NNPC Management requesting for the full status of the ten (10) projects and confirmation of arrangements to embark on an on-the-spot assessment visit to all locations of the Government Priority Projects by Members.
- 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, 17th May, 2022, after extensive deliberations, an Ad-hoc Committee was set-up to examine the irregularities and discrepancies between the previous

resolutions reached on the matter and the present one in order to address the concerns raised. The outcome would be communicated to Members as soon as the assignment is concluded.

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

The Sub-Committee re-examined some aspects of the reports on the subject matter and had sent a letter to the Management of NNPC, dated 10th May, 2022 requesting for further clarifications, segregation of gas revenue, State by State consumption and any other information that would enable the Sub-Committee complete the assignment.

f) Exchange Rate Issues: The Sub-Committee is still working on the two aspects of the assignment received from FAAC Plenary. The two aspects are:

(1) Exchange Rate Application by NNPC on Domestic Crude: The Sub-Committee completed analysis of Exchange rates applied by NNPC on Domestic Crude Cost payable to the Federation Account in the year 2021 which revealed various underpayments. 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). However, NNPC contested the amounts. Hence, the Sub-Committee resolved that the Stakeholders be given one month to enable the parties resolve the issues;

(2) Transactions Made from Exchange Gain and Forex Equalization Account. The Sub-Committee had received the report on review of exchange rate differentials in Accounting for FAAC Inflows (2015 to 2021) from the Forum of States Commissioners of Finance in Nigeria. At the Sub-Committee meeting, Members resolved that there was need to harmonize the Reports and invite the Stakeholders concerned to a meeting to discuss the outcome the Report.

g) Assessing the Impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in First Quarter, 2022: For the period of January to March, 2022, the Sub-Committee wishes to report that a total sum of **\$540,648,431.38** which was equivalent of **₦306,757,859,742.18** was received into the Federation Account as arrears of payment from different sources as Shown in Table 1, 2 and 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 1: Revenue Inflows of Arrears Owed to the Federation Account in January to March, 2022

S/N	Period	Detail	Amount of Receipts in USD (\$)	CBN Exchange Rate/\$	Amount in Naira Equivalent (₦)
i.	January, 2022	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
			Total	86,200,310.48	
i.	February, 2022	NLNG Sales (Arrears)	559,029.75	387.01	216,349,813.33
ii.		General Insurance Claims	2,411,325.73	389.17	938,415,634.34
iii.		Southern Hydro Carbon	1,104,705.29	389.17	429,918,157.71
iv.		NUPRC Good and Valuable Consideration	-	387.01	40,098,713,121.31
v.		Pan Ocean – Domestic Gas Arrears	28,528.00	389.17	11,102,241.76
vi.		NUPRC Dollar Royalty Arrears (November)	-	387.01	44,147,560,820.86
vii.		N-Gas	3,839,560.87	389.17	3,114,214,566.75
viii.		Mobil	34,611.17	389.17	13,469,629.03
			Total	7,977,760.81	
i.	March, 2022	NUPRC Arrears of NNPC Crude Oil Export Sales Revenue	75,883,414.07	389.17	29,351,548,253.62
ii.		NNPC Arrears of LPG/NGL Gas Export Sales Revenue	32,038,127.81	389.17	12,472,443,156.43
iii.		NNPC Arrears of NLNG Feedstock Revenue	83,678,661.22	389.17	32,565,224,586.87
iv.		NNPC LPG/NGL JV Cash Call Naira Revenue	-	387.17	2,154,003,297.40
v.		November, 2021/February, 2022 FIRS Naira PPT (Arrears)	123,120,201.21	386.30	47,561,333,727.81
vi.		NUPRC January, 2022 Outstanding Royalty Inflow (CBN)	7,271,160.09	389.17	2,270,800,372.21
vii.		NUPRC November, 2021/February, 2022 Naira Royalty	120,547,612.50	386.30	46,567,542,708.75
viii.		NUPRC Dollar Royalty January/February, 2022	23,931,184.00	389.17	9,313,298,877.28
			Total	446,470,360.09	
	Grand Total		540,648,431.38		306,757,859,742.18

Source: FAAC Analysis, February to April, 2022

3.0 VAT Pool Account Collection for January to March, 2022

3.1 A total sum of **₦588,598,831,832.04** accrued into the VAT Pool Account for the first quarter of year 2022. The information shows that FIRS VAT collection for the period represented a 96.24% performance, which was lower than the quarterly target by **₦21,849,929,926.26** as shown in table 4 below.

Table 4: VAT Pool Account Collections Analysis for January to March, 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
2	February, 2022	203,482,920,586.10	177,872,738,753.04	-25,610,181,833.06	Negative	87.41
3	March, 2022	203,482,920,586.10	219,504,327,729.96	16,021,407,143.86	Positive	107.87
		610,448,761,758.30	588,598,831,832.04	-21,849,929,926.26	Negative	96.24

Source: FAAC Analysis, April, 2022

4.0 Balances in Special Funds as at 31st March, 2022:

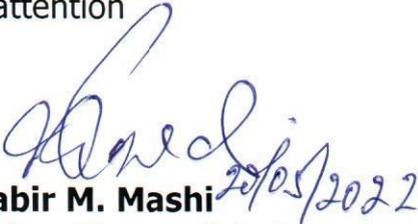
4.1 Members may wish to note the balances of some Special Funds Account as at 31st March, 2022:

Table 5: Balances in Special Funds as at 31st March, 2022

S/N	ITEM	AMOUNT (₦)
1	Electronic Money Transfer Levy	130,561,565,739.312
2	Police Trust Fund	28,650,501,588.59
3	Development of Natural Resources (1.68%)	58,424,062,673.37
4	Stabilization Fund (0.5%)	35,172,190,495.86
5	Domestic Excess Crude Oil Proceeds	3,934,141,445.07

5.0 Conclusion

5.1 Thank you very much for your attention


Kabir M. Mashi
Chairman, FAAC Post Mortem Sub-Committee
20th May, 2022