

FAAC POST-MORTEM SUB-COMMITTEE

REPORT TO THE FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY MEETING HOLDING ON FRIDAY, 23RD SEPTEMBER, 2022

1.0 PREAMBLE

1.1 The FAAC Post-Mortem Sub-Committee meeting for the month was held on Wednesday, 21st September, 2022 at the New Board Room of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). In attendance were members of the RMAFC, representatives of the Accountants-General, Commissioners of Finance, Revenue Generating Agencies and Consultants to the FAAC Post-Mortem Sub-Committee.

2.0 UPDATE ON OUTSTANDING ISSUES REFERRED TO THE SUB-COMMITTEE BY FAAC

- **Update on Waivers on Taxes and Penalties Granted to Some Tax Payers by FIRS**

The Sub-committee is still awaiting FIRS to provide update on its Board decision on how the balance of **₦3,591,039,664.26** would be recovered.

- **Update on NNPC's Deductions in Respect to Government Priority Projects**

Members are called to note that, so far NNPC has deducted the sum of **₦1,075,625,712,996.01** for the period 1999 to July, 2022 for the funding of Government Priority Projects.

Table A: Summary of NNPC's Cumulative Monthly Total FGN Priority Projects Funding from January to July, 2022

S/N	Monthly	Monthly Total FGN Priority Projects Funding (₦)	Cumulative Total (₦)
	1999-2021	952,698,614,128.99	952,698,614,128.99
i.	January, 2022	24,836,128,257.47	977,534,742,386.46
ii.	February, 2022	0.00	977,534,742,386.46
iii.	March, 2022	19,198,677,047.62	996,733,419,434.08
iv.	April, 2022	17,888,313,333.33	1,014,621,732,767.41
v.	May, 2022	18,745,682,358.33	1,033,367,415,125.74
vi.	June, 2022	42,258,297,866.27	1,075,625,712,992.01
vii.	July, 2022	-	1,075,625,712,992.01

Source: FAAC Records August 2022

The Sub-Committee had deliberated at various meetings and concluded that it was necessary to visit the locations of the fifteen (15) Government Priority Projects funded by the Federation to ascertain the level of completion and amount expended so far. NNPC was requested to provide the various locations of the

Projects. NNPC had not made available the locations of the projects despite several requests. The Sub-Committee's report to FAAC meeting held in August, 2022, requested that NNPC should be prevailed upon to make available the needed information to enable it embark on the Priority Project Inspection. The Sub-Committee is yet to receive update from NNPC.

Based on the above, the Sub-Committee is calling on FAAC Plenary to take a decision on the matter.

- **Update on \$599,813,170.02 NPDC Indebtedness to NUPRC on Forcado's Assets OML 119, 60-63 Series**

Recall that through reconciliations between stakeholders, the **₦2.2 Billion** legacy debt owed to NUPRC by NPDC on Good and Valuable Consideration (GVC) on SPDC divested assets had been signed-off to a net liability of **\$599,813,170.02** to be defrayed within a nine (9) month period commencing from May, 2022.

Also recall that in the month of May, 2022, the sum of **\$21,563,800** was reported to have been paid as GVC but not reflected in the CBN component statement. The Sub-Committee and NUPRC had written to the OAGF requesting for the transfer of **\$21,563,800** into the appropriate account for distribution.

The OAGF representative confirmed the receipts of both letters and reported that work was on-going to resolve the issue.

Furthermore, the Sub-Committee observed that there were GVC lifting of **700,000 barrels** for April and May, 2022. The Sub-Committee had requested the NUPRC and NNPC to account for the value of these lifting before its next meeting.

- **Update on Exchange Rate Issues:** The Sub-Committee and the Honorable Commissioners of Finance Forum (HCF Forum) worked on the two aspects of these issues. While the Sub-Committee handled the aspect of Exchange Rate Application by NNPC on Domestic Crude, PPT and Royalty, the HCF Forum worked on the Exchange Rate Application by CBN on Forex Equalization Account, Exchange Gain, etc.

- a) **Exchange Rate Application by NNPC on Domestic Crude, PPT and Royalty.**

The Sub-Committee hereby reports that the assignment on the application of exchange rate by NNPC is still work in progress as the agencies involved in the assignment could not attend the stakeholders meeting on Tuesday 20th of September, 2022 due to an engagement with the Economic and Financial Crime Commission (EFCC). NNPC also promised to send the appropriate Desk Officers in order to enable the Sub-Committee conclude the assignment before the next meeting.

b) **Exchange Rate Application by CBN on Forex Equalization Account and Others.**

Members may recall that the Honorable Commissioners' of Finance (HCF) Forum engaged a Consultant, Rebo Usman & Co. (Chartered Accountants) to handle this aspect of the assignment. Upon completion of his analysis, the Consultant made presentation to the Ad-Hoc Committee handling the issues on Exchange Rate in the months of August and September 2022 respectively. At the stakeholders meeting held on Tuesday 20th of September, 2022, during his presentation, it was observed that the Consultant further categorized the issues into two (2) aspects namely, the Pre-Mandated Exchange Rate period (2015-June 2017) and Post-Mandated Exchange Rate period (July 2017-December, 2021)

- i. **Pre-mandated Exchange Rate Period:** The period covered in this segment of the Report by the Consultant was January 2015 to June 2017 FAAC records, which was the period preceding the introduction of the Mandated Exchange Rate Policy. The Exchange Gain Ledgers for 2016 to June 2017 revealed that all Exchange Gain computations were duly credited to the Exchange Gain Account and distributed to the beneficiaries of the Federation Account as evidenced from the records presented to the Consultant by the Office of the Accountant General of the Federation (OAGF). However, in 2015, a total Exchange Gain computation to the tune of **₦245,389,807,667.96 (Two Hundred and Forty-five Billion, Three Hundred and Eighty-nine Million, Eight Hundred and Seven Thousand, Six Hundred and Sixty-seven Naira Ninety-six kobo)** was not reflected in the Federation Account Distribution Schedule provided by the Federal Ministry of Finance. The Consultant thus concluded that although all exchange gain computations for 2015 were captured in the exchange gain ledger as having been paid, they were not actually released as that would have reflected in the Income Distribution Schedule of the Federal Ministry of Finance for 2015.

The Committee resolved that the total sum of **₦245,389,807,667.96** being the difference between OAGF record and the Income Distribution Schedule provided by the federal Ministry of Finance be subjected to further investigation since both the OAGF and FMF were not present at the meeting to respond to the findings.

- ii. **Post-Mandated Exchange Rate Period:** On this aspect, the Consultant observed that in the months of March, April and May, 2020, the Central Bank of Nigeria (CBN) did not apply any Mandated Rate in computing the Exchange Rate Differentials to be credited to the Foreign Exchange Equalization Account of the Federation Account. At the meeting with

Stakeholders, the Consultant requested CBN to provide authorization by FAAC for the suspension and resumption of the Mandated Exchange Rate for the period under reference, in the absence of which the HCF Forum should demand for the release of the total shortfall of **₦67,103,539,195.29 (Sixty-seven Billion, One Hundred and Three Million, Five Hundred and Thirty-nine Thousand, One Hundred and Ninety-five Naira, Twenty-nine kobo)** to the Forex Equalization Account arising from the suspension of the use of mandated exchange rate for the period under reference.

3.0 Assessing the Impact of FAAC Post-Mortem on Outstanding Arrears of Revenue Inflows Due to the Federation Account in July, 2022.

3.1 For the Month of July, 2022, the Sub-Committee wished to report to FAAC Plenary that a total sum of **₦313,233,771,334.12** were recovered on behalf of the Federation Account as arrears from several revenue items. See details on **Table 1** below.

3.2 The Sub-Committee would also like to report that for the period January to July, 2022, the total arrears paid amounted to **₦822,743,995,463.09**

Table 1: Impact of FAAC Post Mortem Sub-Committee on Outstanding Arrears Inflow to the Federation Account in July, 2022

S/N	Details	Amount of Receipt in USD (\$)	CBN Exchange Rate	Amount in Naira Equivalent in June, 2022
i.	NNPC June, 2022 Crude Oil Sales Revenue Arrears paid	9,385,690.62		3,766,477,645.81
ii.	NNPC/FIRS March, 2022 Naira PPT Arrears paid			82,741,161,201.52
iii.	NNPC/NUPRC March, 2022 Naira Royalty Arrears paid			154,131,634,493.51
iv.	NNPC/NUPRC January/February, 2022 Concession Rentals Arrears	952,900	394.80	376,204,920.00
v.	NNPC/NUPRC May, 2022 NLNG MCA Gas Royalty	133,014.37	394.80	52,514,073.28
vi.	NNPC Ltd. JVRA Debt Repayment Arrears	179,830,000	401.30	72,165,779,000.00
	Total (July, 2022)	190,301,604.37		313,233,771,334.12

4.0 Federation Account Revenue Performance by Agencies in July, 2022

4.1 In the month of July 2022, FIRS made the highest contribution of 50.62% into the Federation Account. This was followed by NUPRC 23.29%, NCS10.95 and FIRS (VAT) 15.13% respectively. See details on **Tables 2 and 3** below.

Table 2: Analysis of Gross Revenue Inflows from Collecting Agencies Distributed in July, 2022

S/N	AGENCY	INFLOW (N)	PERCENTAGE (%)
i.	NNPC	0	0
ii.	NUPRC	292,804,866,387.74	23.29
iii.	FIRS (Oil & Non-Oil)	636,352,336,632.81	50.62

iv.	NCS	137,687,527,315.75	10.95
v.	FIRS VAT	190,256,219,766.09	15.13
	TOTAL:	1,257,100,950,102.39	100.00

Table 3: Summary of Agencies Performance Vis-à-vis Approved Budgetary Target for July, 2022

S/N	AGE NCY	APPROVED TARGET	ACTUAL REMITTANCE	VARIANCE	REVENUE PERF (%)	COMMENT
		July, 2022	July, 2022			
		(A)	(B)	(C=B-A)	%	
1	NNPC	N/A	0	N/A	0	
2	NUPRC	226,718,665,561.59	292,804,866,387.74	66,086,200,826.15	129.15	Positive
3	FIRS	810,827,620,158.88	636,352,336,632.81	-174,475,283,526.07	78.48	Negative
4	NCS	168,244,961,980.83	137,687,527,315.75	-30,557,434,665.08	81.84	Negative
5	MMSD	578,679,091.00	741,958,429.17	163,279,338.17	128.22	Positive
	TOTAL	1,206,367,926,792	1,067,586,688,765.47	-138,783,238,026.83		

Note: VAT Collections not included

5.0 VALUE ADDED TAX COLLECTION FOR THE MONTH OF JULY, 2022

5.1 A total sum of **₦190,256,219,766.09** was remitted into the VAT Pool Account in July 2022 Federation Account. When compared with the monthly budget target of **₦203,482,920,586.10** it showed a negative variance of **₦13,226,700,820.01** as indicated on the **Table 4** below.

Table 4: VAT Pool Account Collections Analysis for July, 2022.

S/N	MONTH	MONTHLY TARGET (₦)	ACTUAL COLLECTION (₦)	VARIANCE (₦)	PERF (%)
1	June, 2022	203,482,920,586.10	190,256,219,766.09	13,226,700,820.01	93.501

6.0 BALANCE OF EMTL AS AT 31st JULY, 2022

6.1 Members may wish to note that the total balance in the EMTL Account as at 31st July, 2022 Federation Account was **₦79,726,579,532.41**.

7.0 NNPC VALUE SHORTFALL RECOVERY FROM FEDERATION ACCOUNT FOR THE MONTH OF JULY, 2022 FEDERATION ACCOUNT

7.1 The sum of **₦448,782,119,154.91** was deducted by NNPC as value shortfall (subsidy) on Premium Motor Spirit (PMS) supplied for the Month of July, 2022. The

Cumulative total deductions for PMS Value Shortfall from January to June, 2022 was **₦1,593,768,197,173.04**. The details are shown in **Table 5** below;

Table 5: Summary of NNPC Value Shortfall from January to July, 2022.

S/N	Month	Monthly Shortfall from FA (₦)	Cumulative Total (₦)
i.	January, 2022	210,381,727,053.04	210,381,727,053.04
ii.	February, 2022	219,783,148,011.13	430,164,875,064.17
iii.	March, 2022	245,772,559,462.62	675,937,434,526.79
iv.	April, 2022	271,588,672,761.88	947,526,107,288.67
v.	May, 2022	327,065,907,048.06	1,274,592,014,336.73
vi.	June, 2022	319,176,182,836.31	1,593,768,197,173.04
vii.	July, 2022	448,782,119,154.91	2,042,550,316,327.95

Source: FAAC August, 2022 Analysis

8.0 Update on Balances in Special Reserve Accounts

8.1 The Balances in Special Reserve Accounts as at 31st July, 2022 is given in **Table 6** below:

Table 6: Balances in Special Funds as at 31st July, 2022

S/N	ITEM	AMOUNT
1	Stabilization Fund Account	₦ 40,398,788,412.51
2	Development of Natural Resources	₦ 81,566,945,732.37
3	Domestic Excess Crude Proceed	₦ 4,232,895,887.07
4	Solid Mineral Account	₦ 9,984,268,576.84
5	Oil Excess Revenue Account	₦ 67,990,026.62
6	Police Trust Fund Account	₦ 27,389,773,732.82
7	Non-oil Excess Revenue Account	₦ 540,000,000,000.00
8	Forex Equalization Account	₦ 133,082,623,616.94
9	Excess Crude/PPT Account	\$ 470,599.54

Source: OAGF/FAAC Records, July, 2022

9.0 CONCLUSION

9.1 Thank you for your attention.



Mr. Alexander Shaiyen

Vice-Chairman, FAAC Post-Mortem Sub-Committee

For: Chairman

21st September, 2022