

FAAC POST-MORTEM SUB-COMMITTEE

REPORT OF FAAC POST-MORTEM SUB-COMMITTEE MEETING HELD ON TUESDAY, 16TH MARCH, 2021 AT RMAFC ABUJA

Presented to the

FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) PLENARY MEETING HOLDING ON THURSDAY 18TH MARCH, 2021

1.0 PREAMBLE

- 1.1 FAAC Post-Mortem Sub-Committee meeting for the month of March, 2021 was held on Tuesday, 16th March, 2021 at the Board Room of the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC). The meeting had in attendance Members of the RMAFC, Commissioners of Finance and Accountants-General from all the geo-political zones, as well as representatives of the Revenue Generating Agencies.

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

- a) **Waivers and Taxes:** Members may recall that at the last FAAC meeting, the Sub-Committee reported that in January, 2021, an additional sum of **₦10,952,410.53** was received leaving a balance of **₦3,677,344,419.47**. Further to this, in a letter dated 4th March, 2021, FIRS provided update on additional payments amounting to the sum of **₦19,215,693.08** in respect of waivers on Interest and Penalty, leaving a balance of **₦3,658,128,726.39** yet to be recovered from the programme.
- b) **Cost of Collection:** It should be noted that the issue of Cost of Collection given to Revenue Generating Agencies was referred to the Sub-Committee. A report to that effect was presented and adopted. However, State Governments requested for inclusion as beneficiaries of the Cost of Collection on the basis that they too are critical to revenue collections. The Sub-Committee have scheduled a reconciliation meeting with the Agencies concerned after which a Report would be presented.

c) **Report on NNPC Deductions made for Government Priority Projects Funded by the Federation**

Members may recall that the Sub-Committee had reported on the deductions being made by NNPC as Government Priority Projects. So far, NNPC had made presentations on the subject matter. The next phase is to conduct a physical inspection of some of the projects including, Port Harcourt Refinery, after which the Report would be finalized.

- d) **Update on CBN Over stated Revenue of N14.49 Billion:** Members may recall that at the FAAC meeting held on 20th January, 2021, the issue of the Component Statement of the Central Bank of Nigeria (CBN) on the deduction of the sum of **₦14.491** billion from the Federation Account (FA) component statement for the month of September, 2020 was discussed. The Sub-Committee was also directed to conduct a 3-year historical review of mandates issued to CBN by the Revenue Generating Agencies between 2018-2020 to confirm that such errors had not been reoccurring.

In this regard, an analysis of the agencies' remittances to CBN as well as the corresponding CBN remittances to the Federation Account as provided in the Component Statements were examined. Consequently, the Sub-Committee met with CBN and the Revenue Generating Agencies on Thursday, 11th March, 2021, and discussed the issues. At the meeting CBN stated that the issue of **₦14.49** Billion over stated revenue was an error and relevant documents were presented to support their position.

On the basis of this explanation and the official correspondence between the Bank and Federal Ministry of Finance which was presented to the FAAC Plenary, the Sub-Committee accepted the explanation and the apology and directed that such error should not happen again. However, with regard to the findings on the 3-Year analysis, the Revenue Generating Agencies and CBN requested for four (4) weeks to examine their records to enable them respond as appropriate.

e) Update on Other Sources of Revenue (Agencies that Collect But Do Not Remit Same Into the Federation Account): Members may wish to recall that the Sub-Committee had either visited or received written responses from the following Agencies:

- i. Federal Airports Authority of Nigeria (FAAN);
- ii. Nigerian Maritime Administration and Safety Agency (NIMASA);
- iii. Nigeria Ports Authority (NPA); Nigerian Liquefied Natural Gas (NLNG);
- iv. Nigeria Communications Commission (NCC);
- v. Economic and Financial Crimes Commission (EFCC);
- vi. Nigeria Immigration Service (NIS);
- vii. Securities and Exchange Commission (SEC);
- viii. National Agency for Food and Drug Administration Control (NAFDAC);
- ix. Nigerian Tourism Development Corporation (NTDC);
- x. Nigerian Shippers' Council (NSC);

The Sub-Committee also received and examined the Laws governing the operations of these Agencies which permit them to collect, utilize and remit surpluses into the Consolidated Revenue Fund (CRF) which seem contrary to the Provision of Section 162(1) of the 1999 Constitution (As Amended). Based on the foregoing, the Sub-Committee recommends the following:

- a. That the matter be taken up with the National Executive Council or Governors' Forum for action and resolution;
- b. Seek legal interpretation of Section 162(1) of the 1999 Constitution of the Federal Republic of Nigeria (As amended) vis-à-vis the Laws setting up these Agencies;
- c. Pursue an Amendment to the Acts setting up the concerned Agencies with the National Assembly.

f) Update on the Review of Indices for Sharing Revenue in the Federation Account: The Indices and Disbursement Committee is still working on it. However, between the last meeting and now, significant progress had been made in terms of sensitization of Stakeholders and strengthening collaboration with relevant agencies whose role would be

key to the review exercise. Stakeholders would soon be informed of the next line of action to be taken.

g) Update on N6.23 Trillion Withheld by NNPC and KPMG Reports:

The assignment is still work in progress.

- h) Assessing the impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in January, 2021:** The Sub-Committee wishes to report on the impact of its monthly analysis and reconciliation of revenue collections and remittances into the Federation Account which had considerably reduced outstanding amounts against some of the revenue generating agencies. In the month of January 2021, the Federation Account received outstanding arrears payment of **\$198,604,596.24** which is equivalent to **₦75,271,133,976.94**. See details in Table 1 below:

Table 1: Outstanding Aerears of Revenue Inflows to the Federation Account in January, 2021

S/N	Detail	Amount Paid in USD (\$)	Amount Paid in Naira Equivalent (N)
i.	NNPC October, 2020 Crude Oil Under-lifting (586,820 barrel sales)	23,480,596.19	8,899,145,956.43
Ii	FIRS PSC-Naira PPT	77,023,828.08	29,192,030,843.08
ii.	FIRS PSC-Dollar PPT	61,740,944.43	23,399,817,938.97
Iv	FIRS/MCA Oil PPT	19,541,851.26	7,406,361,627.54
iv.	NNPC Hydro Carbon Resources Miscellaneous Income	16,365,280.20	6,202,441,195.80
v.	NNPC General Insurance Claims Refund	316,270.57	119,866,546.83
vi.	NNPC Interest Payment	342.49	129,803.71
vii	DPR PSC MCA Dollar Royalty	135,483.02	51,340,064.58
vii	Total (January, 2021)	198,604,596.24	75,271,133,976.94

Source: FAAC Analysis, January 2021

3.0 SUMMARY OF GROSS FEDERATION ACCOUNT REVENUE INFLOWS FOR THE JANUARY, 2021

- 3.1** For the month of January, 2021, a total of **₦483,191,827,834.78** was remitted into the Federation Account as shown in the Central Bank Component Statement. Details of each agencies' contribution to the Federation Account for the period under reference are as indicated in Table 2 below.

Table 2: Summary of Gross Federation Account Revenue Collection's contribution as indicated on CBN Component Statement for the Month of January, 2021

S/N	Detail	January, 2021	Percentage Contribution (%)
I	NNPC Crude Oil and Gas Receipts (NNPC)	22,859,148,154.54	4.73
ii	Department of Petroleum Resources (DPR)	90,582,269,207.31	18.75
iii	Federal Inland Revenue Service (FIRS)	280,169,422,710.71	57.98
iv	Nigeria Custom Service (NCS)	89,350,379,886.50	18.49
v	Ministry of Mines and Steel Development (MMSD)	232,607,875.70	0.05
vi	FMF/OAGF/RMAFC	0.00	0.00
	TOTAL	483,191,827,834.78	100

Source: FAAC Analysis, February 2021

- 3.2 Please note that, a total of sum of **₦157.351 Billion** accrued into the VAT Pool Account as at January 2021.

4.0 Conclusion

- 4.1 Thank you very much for your attention.


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(Kaigaman Katsina)

Chairman, FAAC Post Mortem Sub-Committee
17th March, 2021