

FAAC POST-MORTEM SUB-COMMITTEE

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

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

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting was held on Thursday 13th April, 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 the outstanding balance of **\$2,226,998,165.02** from the Nigeria Petroleum Development Company (NPDC) Legacy Debt stood at **\$599,813,170.02** out of which NUPRC confirmed receipt of **\$263,494,870.00** leaving a net outstanding of **\$336,318,300.02**

At the last Sub-Committee meeting held on 13th April, 2023, NUPRC confirmed receipts of additional payments of **\$136,550,055** which further reduced the NPDC current Legacy Debt to **\$199,768,245.02**

Also note that out of the total sum paid, the total sum of **\$186,695,800.00** erroneously transferred to other accounts is undergoing reconciliation for reversal.

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. Members may recall that after the Sub-Committee's presentation on the matter, it was referred to the Federal Ministry of Finance to engage with CBN. The Sub-Committee is awaiting the outcome of the engagement.

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

Recall that the Sub-Committee reported at the last FAAC Plenary that as a result of NNPC using Exchange Rate lower than the CBN official rate on Domestic Crude sale, FIRS PSC Crude and NUPRC Royalty Crude Sale for the period 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 used for the remittances. However, NNPC promised to brief its top management before presenting its final position on the matter. The Sub-Committee hope to present its final report by the next FAAC meeting.

c) Update on Tax Refund

The Ad-hoc Committee set up to examine deduction of Tax Refund from the Federation Account as directed by the FAAC Plenary had completed its assignment and details of its findings is hereby attached as annexure 1.

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

Recall that the Nigerian Governors Forum engaged a Consultant to Audit inflow and outflow from the FGN/CBN Treasury Crude Account No: 20054141287. The absence of CBN prevented the Committee from concluding this assignment as the CBN wrote that it's not answerable to the FAAC Post Mortem Sub-Committee but to RMFAC.

The FAAC Post Mortem Sub-Committee had written to the Chairman of RMAFC to officially engage the CBN Governor in line with the resolutions at the last FAAC Plenary meeting. Accordingly, The Chairman of RMAFC had written to the CBN Governor and awaiting its response.

3.0 Assessing the Impact of FAAC Post Mortem Sub-Committee on Outstanding Arrears of Revenue Inflows Due to the Federation Account in February, 2023.

- 3.1 For the Month of February, 2023, the PMSC will like to inform the Plenary that the total sum of **\$102,389,874.73** equivalent to **₦44,362,462,068.45** was recovered in favor of the Federation Account as outstanding arrears from several revenue items of collection and paid to the rightly designated accounts. Details on table1 below.

Table 1: Impact of FAAC PMSC On Revenue Inflows into Federation Account From Outstanding Arrears For The Month Of February, 2023

S/N	Details	Receipts in USD (\$)	CBN Exchange Rate/\$ (N/\$)	Amount of Receipt in Naira Equivalent (N)
i.	NNPC Ltd. NLNG Arrears of Feedstock Paid	25,020,640.90	433.27	10,840,693,949.28
ii.	NNPC JV Oil (Export) Paid	8,288,686.73	433.27	3,591,239,299.51
iii.	NUPRC GVC Arrears Paid	68,237,585.00	433.27	29,565,298,452.95
iv.	NUPRC Sundry Arrears Paid	842,962.51	433.27	365,230,366.71
	Sub-Total (February, 2023)	102,389,874.73		44,362,462,068.45

Source: FAAC PMSC Analysis, February, 2023

- 3.2 The Sub-Committee would like to inform Members that from January to February, 2023, the recoveries made stood at **₦45,783,148,543.15**. Details in Table 2 below:

Table 2: Summary of FAAC PMSC Outstanding Arrears of Outstanding Revenue Inflow to the Federation Account from January to February, 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

Source: FAAC PMSC Analysis, February, 2023

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

- 4.1 The NNPC Ltd deducted the sum of **₦255,391,863,631.18** as PMS value shortfall recovery for the month of February, 2023 as indicated on Table 3 below:

Table 3: Summary of NNPC Ltd. Value Shortfall Recovery from Federation Account in February, 2023

S/N	Month	Monthly Shortfall Recovery from FA (N)	Cumulative Total (N)
i.	January, 2023	309,192,846,944.09	309,192,846,944.09
ii.	February, 2023	255,391,863,631.18	564,584,710,575.27

Source: FAAC PMSC Analysis February, 2023

5.0 BALANCES IN SPECIAL RESERVE ACCOUNTS FOR THE MONTH OF FEBRUARY, 2023

- 5.1 The balance in Special Reserve Accounts as at 31st February, 2023 are given in Table 4 below:

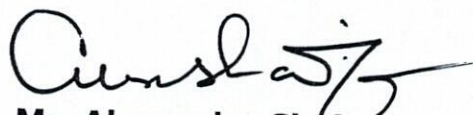
Table 4: Balances of Special Reserve Accounts as at the end of February, 2023

S/N	ITEM	AMOUNT
1	Stabilization Fund Account	₦ 23,258,160,850.00
2	Development of Natural Resources	₦ 84,165,037,108.96
3	Domestic Excess Crude Proceed	₦ 4,929,989,585.07
4	Solid Mineral Account	₦ 18,249,674,115.09
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	₦ 57,028,579,272.57
9	EMTL	₦ 94,354,162,528.21
10	Excess Crude/PPT Account	\$ 473,754.57

Source: FAAC And MMSD Report for February, 2023

6.0 Conclusion

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



Mr. Alexander Shaiyen
Vice- Chairman, FAAC PMSC
17th April, 2023