

FAAC POST MORTEM SUB-COMMITTEE

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

1.0 PREAMBLE:

1.1 The FAAC Post Mortem Sub-Committee (PMSC) meeting was held on Thursday, 17th August, 2023 at the Boardroom of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). In attendance were the representatives of RMAFC, Chairman of Commissioners of Finance Forum, representatives of Accountants-General Forum, as well as representatives of the Revenue Generating and Accounting Agencies. The highlight of 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 LEGACY DEBT to NUPRC/The Federation Account in respect of Forcados Assets OML 119, 60-63 Series:

Out of the outstanding sum of **\$599,813,170.02** indebtedness of NPDC to NUPRC, the sum of **\$423,289,225.00** was confirmed as received on GVC reducing the outstanding to **\$176,523,945.02**. Recall that it was earlier reported that the sum of **\$186,695,800.00** was paid to a wrong account but OAGF had mandated CBN to reconcile and reclassify the erroneous payment to the designated account.

As a result of the reconciliation, the sum of **\$21,475,800.00** was traced to JV Account and shared in October, 2022 FAAC, bringing the balance of the unclassified figure as at last month reconciliation meeting to **\$165,220,000.00**. At this month Sub-Committee meeting, NUPRC reported that the sum of **\$165,220,000.00** which was the balance of the money paid into the wrong account has now been reclassified into the GVC Account. Kindly Note that last month we reported that out of the outstanding GVC indebtedness, the sum of **\$180,230,895.02** was yet to be paid by NPDC; however, the sum of **\$3,706,950.00** was reported as additional payment into the GVC Account leaving a balance of **\$176,523,945.02**.

The Sub-Committee hereby recommends that the sum of **\$401,813,425.00** that has accrued into the GVC Account as legacy debt from the agreed sum of **\$599,813,170.02** from the divested Forcados Assets be considered for disbursement to the beneficiaries, subject to confirmation by the OAGF on the status of the fund in the account, while the Sub Committee still follows up on the unpaid balance of **\$176,523,945.02** as its long overdue.

b) Update on Exchange Rate Issues

PART A: Exchange Rate Applied by CBN to FOREX Equalization Account and Exchange Gain

Members may note that the Sub-Committee had concluded this aspect of the assignment and reported to FAAC that non-application of Mandated Rates by CBN for the months of March, April and May 2020 resulted in underpayment to the Forex Equalization Account by **₦67,103,539,195.29**. Following the decision of FAAC Plenary that the Federal Ministry of Finance should further engage with the CBN, the CBN representative informed the meeting that engagement with stakeholders has commenced. In addition, he stated that a letter of reminder was sent to the CBN top management in order to fast track the reconciliation exercise. The Sub-Committee awaits the outcome of the engagement.

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 indebtedness to the Federation Account and vice versa. The Sub-Committee was briefed on the progress of the Technical Committee reconciliation and resolved to update Exchange Rate issues to May 2023 which is the period the Technical Committee adopted. Recall that the earlier one updated by the Sub-Committee was as at December 2022.

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

Members may recall that the Sub-Committee earlier reported during the meeting held on Thursday, 13th July, 2023, that the representative of CBN informed members that the Governor's Forum and the stakeholders met over the issue and CBN has confirmed that the engagement is ongoing. The Sub-Committee awaits the outcome of the engagement with CBN.

d) Refund of SURE-P to States/Balance at the Stamp Duty Account

Recall that during the last FAAC meeting held in July, 2023, the Sub-Committee was mandated to look into SURE-P refund to States and Stamp Duty. Consequently, the Sub-Committee received a letter on the 16th August, 2023 from the FAAC Secretariat communicating the assignment to be carried out by the Sub-Committee with the Terms of Reference. Accordingly, the Sub-Committee constituted an Ad-hoc Committee to handle the assignment and report back. The assignment is work in progress.

e. **UPDATE ON UTILISATION OF NLNG DIVIDENDS BY NNPC**

The Sub-Committee during its meeting in July, 2023 observed that out of the **\$275 million** accrued as NLNG dividend, NNPC reported the utilization of 80% of the **\$275 million** which is **\$220 million** to defray Federation indebtedness on subsidy, however NNPC withheld 20% being **\$55 million** which ought to have been paid to the Federation. Members deliberated on this action taken by NNPC as it is unconstitutional and hence resolved to constitute an Ad-hoc Committee to review the issue.

Consequently, an Ad-hoc Committee was set up and it had its inaugural meeting on 26th July, 2023 to consider the Terms of Reference. Thereafter, the Sub-Committee wrote to NNPC requesting for the details of dividend accrued from NLNG operations from inception to date. The Sub-Committee is awaiting response from NNPC.

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

3.1 For the Month of June, 2023 Federation Account, the PMSC will like to inform the Plenary that as a result of reconciliation with Agencies, the total sum of **₦596,715,997.45** was reconciled as paid to the 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 June, 2023

| S/N | Detail | Receipt in (USD) | CBN Mandated Exchange | Amount in Naira Equivalent |
|-----|---|---------------------|-----------------------|----------------------------|
| I | NUPRC/NNPC MCA Gas -NLNG Rev for March 2023 | 241,111.21 | ₦434.98 | 104,878,554.12 |
| II | FIRS MCA Gas PPT MCA | 1,133,057.14 | ₦434.08 | 491,837,443.33 |
| | Sub-Total (June, 2023) | 1,374,168.35 | | 596,715,997.45 |

Source: FAAC PMSC Analysis, June, 2023

3.2 The Sub-Committee would like to inform Members that from January to June, 2023 the outstanding arrears reconciled and paid stood at **₦201,658,807,093.97**. Details in Table B below:

Table B: Summary of FAAC PMSC Outstanding Arrears of Cumulative Revenue Inflow to the Federation Account Reconciled and Paid from January to June, 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 |
| iii. | March, 2023 | 144,037,514,518.20 | 189,820,663,061.35 |
| iv. | April, 2023 | 11,640,615,992.59 | 201,461,279,053.94 |
| v. | May, 2023 | 137,856,441.03 | 201,599,135,494.97 |
| vi. | June, 2023 | 596,715,997.45 | 201,658,807,093.97 |

Source: FAAC PMSC Analysis, June, 2023

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

4.1 The NNPC Ltd deducted the sum of **₦374,176,813,271.84** as PMS value shortfall recovery for the month of June, 2023. This brings the cumulative deductions between January to June, 2023 to **₦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 June, 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 |

Source: FAAC PMSC Analysis June, 2023

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

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

5.1 From our monthly reconciliation with Stakeholders, The total unresolved amount due to the Federation Account from the Revenue Generating Agencies as at June 2023 was **\$236,103,549.73** as shown in Table D.

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

| AGENCY | Dollar (\$) |
|--------------|-------------------------|
| FIRS | \$654,631.23 |
| NUPRC | \$235,448,918.50 |
| TOTAL | \$236,103,549.73 |

Source: FAAC PMSC Analysis June, 2023

5.2 Members should note that these outstanding amounts are still being reconciled at monthly reconciliation meetings between the Agencies and the Sub-Committee. Furthermore, other outstanding revenue being carried by FAAC Post Mortem Sub-Committee as arrears not captured above for the Revenue

Generating Agencies were already recognized by the Stakeholders Alignment Committee and the Sub-Committee is awaiting the outcome of the reconciliation.

The Sub-Committee also insisted that all outstanding payments/remittances before the PIA by NNPC should be paid back to the Federation Account as they were already concluded deals prior to PIA which NNPC did not remit to Federation Account.

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

- 6.1 The FIRS VAT collection and remittance into the VAT Pool Account for the month of June, 2023 was **₦293,411,538,215.54** FIRS 4% cost of collection deduction was **₦11,736,461,528.62**, 3% North East Development Commission (NEDC) deduction was **₦8,450,252,300.61** leaving a net amount of **₦273,224,824,386.31** for distribution as indicated in the Table E below:

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

| Details | EMTL Collection (N) |
|-----------------------------|---------------------------|
| June, 2023 VAT Collection | 293,411,538,215.54 |
| Less: 4% Cost of Collection | 11,736,461,528.62 |
| Less: 3% VAT for NEDC | 8,450,252,300.61 |
| Net Amount for Distribution | 273,224,824,386.31 |
| Distribution | |
| FGN | 40,983,723,657.95 |
| Local Governments | 95,628,688,535.21 |
| States | 136,612,412,193.16 |
| | 273,224,824,386.31 |

Source: FAAC PMSC Analysis, June, 2023

7.0 ELECTRONIC MONEY TRANSFER LEVY (EMTL) FOR THE MONTH OF JUNE, 2023

- 7.1 The FIRS EMTL collection and remittance for the month of June, 2023 was **₦11,913,149,875.06** out of which the sum of **₦476,525,995.00**, 4% cost of collection was deducted leaving a net amount of **₦11,436,623,880.06** for distribution as indicated in the Table F below:

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

| i. | Details | EMTL Collection (N) |
|------|------------------------------------|--------------------------|
| | June, 2023 EMTL Collection | 11,913,149,875.06 |
| ii. | Less: 4% Transfer Levy | 476,525,995.00 |
| iii. | Net Amount for Distribution | 11,436,623,880.06 |
| iv. | Distribution | |
| v. | FGN | 1,715,493,582.01 |
| | Local Governments | 4,002,818,358.02 |
| | States | 5,718,311,940.03 |
| | | 11,436,623,880.06 |

Source: FAAC PMSC Analysis, June, 2023

8.0 UPDATE ON BALANCES IN SPECIAL FUND ACCOUNTS

8.1 The balances in Special Fund Accounts as at 30th June, 2023 are as follows:

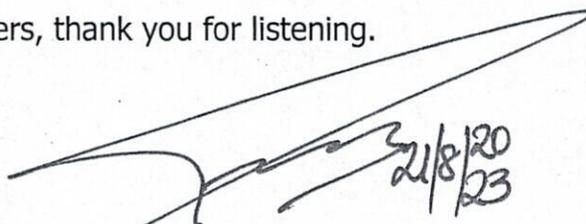
Table G: Summary of Balances in the Special Accounts as at 30th June, 2023

| S/N | ITEM | AMOUNT |
|-----|----------------------------------|---------------------------------|
| a . | Stabilization Fund Account | ₦ 30,935,104,595.89 |
| b . | Development of Natural Resources | ₦ 116,927,637,661.53 |
| c . | Domestic Excess Crude Proceed | ₦ 5,328,328,841.07 |
| d . | Solid Mineral Account | ₦ 5,577,141,385.77 |
| e . | Oil Excess Revenue Account | ₦ 67,990,026.62 |
| f . | Police Trust Fund Account | ₦ 0.00 |
| g . | Non-oil Excess Revenue Account | ₦ 390,595,947,926.97 |
| h . | Forex Equalization Account | ₦ 24,157,176,422.78 |
| i . | EMTL Account | ₦ 13,953,481,584.17 |
| j . | Exchange Gain | ₦ 180,230,572,340.52 |
| k . | Excess Crude/PPT Account | \$473,754.57 |

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

9.0 Conclusion

9.1 Chairman and Members, thank you for listening.



H. E CHRIS AKOMAS PhD, FNIM

Chairman Indices and Disbursement Committee

For: **Alh. Kabir M. Mashi, oon** (Kaigaman Katsina)

Chairman, FAAC Post Mortem Sub-Committee

21st August, 2023