

# FAAC POST MORTEM SUB-COMMITTEE

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

### **1.0 PREAMBLE:**

1.1 The FAAC Post Mortem Sub-Committee (PMSC) meeting was held on Monday, 18<sup>th</sup> September, 2023 at the Boardroom of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). In attendance were the representatives of RMAFC, representatives of the Commissioners of Finance and Accountants-General Forum, Special Adviser to Nigeria Governors 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 Indebtedness to NUPRC/The Federation Account in respect of Forcados Assets OML 119, 60-63 Series:**

Members may recall that the Sub-Committee had reported during the last FAAC Plenary that out of the **\$599,813,170.02** indebtedness of NPDC to NUPRC, the sum of **\$423,289,225.00** was received as total payment on GVC, however, the sum **\$21,475,800.00** was wrongly paid into JV Account and shared in October 2022 bringing the amount in the GVC Account to **\$401,813,425.00** leaving an outstanding of **\$176,523,945.02** to be paid by NPDC.

NUPRC reported that it received additional payment of **\$30,000,000.00** in the month of August, 2023 Federation Account thus leaving an outstanding balance of **\$146,523,945.02** unpaid. This resulted in an increase in the amount that accrued into the GVC Account to **\$431,813,425.00**

You will recall that the Sub-Committee had also earlier recommended that the accrued amount into the GVC Account from the divested Forcados Assets be considered for disbursement to the beneficiaries. The Sub-Committee also wrote a letter (Ref: RMC/FAD/007/I/) dated 12<sup>th</sup> September, 2023 to OAGF to provide an updated ledger to reflect the cumulative inflow into the GVC Account on the Forcados Asset for sharing to the beneficiaries.

## **b) Update on Exchange Rate Issues**

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

On the issue of non-application of Mandated Rates by CBN for the months of March, April and May 2020 which resulted to underpayment to the Forex Equalization Account by **₦67,103,539,195.29**, the representative of CBN informed the meeting that the Bank had submitted its position paper on the issue to the Federal Ministry of Finance and he promised to avail the Sub-Committee with a copy.

The Sub-Committee awaits response from CBN.

### **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. The Sub-Committee established the sum of **₦81,040,067,824.63** as reconciled outstanding amount as a result of wrong application of Exchange Rate by NNPC on Domestic Crude oil sales, NUPRC/Royalty and FIRS/PPT crude sale for the period 2015 to 2022. The underpayment was captured as liability against NNPC pending the conclusion of the assignment.

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

The representative of CBN informed the Sub-Committee that the Bank is working assiduously on the issue and promised to provide a comprehensive update at the next meeting. The assignment is work in progress.

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

3.1 For the Month of July, 2023 Federation Account, the FAAC PMSC will like to inform the Plenary that as a result of reconciliation with Revenue Generating Agencies, the total sum of **₦110,015,014,447.60** was reconciled and paid into the CBN 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 July, 2023**

S/ N	Detail	Receipt in (USD)	CBN Mandated Exchange	Amount in Naira Equivalent
I	NUPRC/NPDC Outstanding GVC paid from Forcados Assets	3,706,950.00	769.88	2,853,906,666
Ii	NNPC Ltd June,2023 Calendarized Interim Dividend Receipt into CBN, July 2023			81,166,000,000.00
Iii	NNPC June 2023 Arrears PSC Federation Share of Profit (40%)			25,995,107,781.26
	<b>Total (July, 2023)</b>	<b>3,706,950.00</b>		<b>110,015,014,447.60</b>

Source: FAAC PMSC Analysis, July, 2023

3.2 The Sub-Committee would like to inform Members that from January to July, 2023 the outstanding arrears reconciled and paid into the Federation Account stood at **₦311,673,821,541.57** as per details in Table B below:

**Table B: Summary of FAAC PMSC Cumulative Revenue Inflow to the Federation Account from Reconciled Outstanding Arrears from January to July, 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
vii.	July, 2023	110,015,014,447.60	311,673,821,541.57

Source: FAAC PMSC Analysis, July, 2023

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

4.1 There was no NNPC Ltd deduction for PMS value shortfall recovery for the month of July, 2023. The cumulative deductions between January to July, 2023 still remains **₦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 July, 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
viii.	July, 2023	NA	NA

Source: FAAC PMSC Analysis July, 2023

4.2 As you may be aware, the Stakeholders Alignment Committee is also reconciling subsidy claims by NNPC against NNPC liabilities to the Federation including payables to Revenue Generating Agencies. Therefore, the FAAC Post Mortem Sub-Committee awaits the final Report of the Committee.

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

5.1 The total unresolved amount due to the Federation Account from the Revenue Generating Agencies as at July 2023 was **\$245,269,651.70** and **N13,532,864,659.00** as shown in Table D.

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

AGENCY	Dollar (\$)	Naira (N)
FIRS/NNPC	\$654,631.23	13,532,864,659.00
NUPRC/NNPC	\$244,615,020.47	
<b>TOTAL</b>	<b>\$245,269,651.70</b>	<b>13,532,864,659.00</b>

Source: FAAC PMSC Analysis July, 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 outstandings not captured above were already taken care of by the Stakeholders Alignment Committee.

5.3 Members are invited to also note that the Sub-Committee had compiled all NNPC outstanding prior to PIA and have requested NNPC to pay all outstandings due to the Federation from JV assets before July 2022. However, NNPC requested that the outstandings be expunged from the Sub-Committee's matters arising because NNPC assumed all JV Assets and Liabilities and would therefore handle the issues internally. The Sub-Committee is requesting FAAC Plenary to decide on the matter. The issues are as listed in the table below:

**Table E: NNPC JV Assets Outstanding**

S / N	DESCRIPTION	\$	₦	REMARK
	<b>NNPC JV Issues</b>			
i.	Update on Outstanding sum of <b>\$447,105,467</b> in favour of SPDC under JV RA Debt as at 31 <sup>st</sup> December, 2021	<b>447,105,467.00</b>		This is Repayment Agreement (RA) debt to SPDC that should have been borne by the Federation before PIA and not a Federation Account revenue
ii.	Update on NNPC to Refund the Over-payment of TEPNG JV Cash Call Debt	<b>6,191,226.00</b>		This is an overpayment of Repayment

	Repayment Agreement (RA) of <b>\$6,191,226.00</b> as at November, 2022 to Federation Account		Agreement (RA) debt to TEPNG by the Federation before the PIA which is supposed to be refunded back to the Federation Account
iii.	Update on Outstanding Sum of <b>USD50,755,768.24</b> being 12.50% arrears of <b>USD406,046,145</b> EGTL Sales Value Escrow as at June, 2022 amounting to <b>USD50,755,768.24</b> to Federation Account	<b>50,755,768.24</b>	Liabilities due to the Federation Account before PIA
iv.	Update on Total NNPC Ltd. EGTL Gas Products (100% Federation Account) Sales Value of <b>\$73,686,873.03</b> in June/July, 2022.	<b>73,686,873.03</b>	Liabilities due to the Federation Account before PIA
	<b>Total NNPC JV Issues</b>	<b>\$577,739,334.27</b>	

## 6.0 VALUE ADDED TAX COLLECTION FOR THE MONTH OF JULY, 2023

6.1 The FIRS VAT collection and remittance into the VAT Pool Account for the month of July, 2023 was **₦298,789,527,584.60** FIRS 4% cost of collection deduction was **₦11,681,224,487.46**, 3% North East Development Commission (NEDC) deduction was **₦8,402,370,932.49** leaving a net amount of **₦271,947,016,766.57** for distribution as indicated in the Table F below:

**Table F: Value Added Tax (VAT) Collection for the month of July, 2023 Federation Account**

Details		VAT Collection (N)
June, 2023 VAT Collection		298,789,527,584.60
Less: 4% Cost of Collection		11,681,224,487.46
Less: 3% VAT for NEDC		8,402,370,932.49
Less Cancellation of Tax Credit on VAT		6,758,915,398.08
Net Amount for Distribution		271,947,016,766.57
Distribution		
FGN	15%	40,792,052,514.99
States	50%	135,973,508,383.29
Local Governments	35%	95,181,455,868.30
		271,947,016,766.57

Source: FAAC PMSC Analysis, July, 2023

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

7.1 The FIRS EMTL collection and remittance for the month of July, 2023 was **₦13,374,385,212.87** out of which the sum of **₦534,975,408.51** 4% cost of collection deduction was made leaving a net amount of **₦12,839,409,804.36** for distribution as indicated in the Table **G** below:

**Table G: Electronic Money Transfer Levy (EMTL) for the month of July, 2023 Federation Account**

i.	Details	EMTL Collection (N)
	June, 2023 EMTL Collection	13,374,385,212.87
ii.	<b>Less:</b> 4% Transfer Levy	534,975,408.51
iii.	<b>Net Amount for Distribution</b>	12,839,409,804.36
iv.	<b>Distribution</b>	
v.	FGN 15%	1,925,911,470.65
	States 50%	6,419,704,902.18
	Local Governments 35%	4,493,793,431.53
		12,839,409,804.36

Source: FAAC PMSC Analysis, July, 2023

## 8.0 UPDATE ON BALANCES IN SPECIAL RESERVE ACCOUNTS

8.1 The balances in Special Reserve Accounts as at 31<sup>st</sup> July, 2023 are as follows:

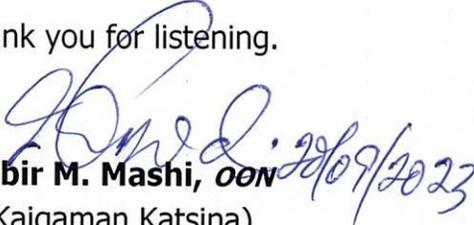
**Table H: Summary of Balances in the Special Accounts as at 31st July, 2023**

S/N	ITEM	AMOUNT
a .	Stabilization Fund Account	₦33,394,144,808.66
b .	Development of Natural Resources	₦126,742,081,450.07
c .	Domestic Excess Crude Proceed	₦5,427,913,655.07
d .	Solid Mineral Account	₦ 9,167,009,769.31
e .	Oil Excess Revenue Account	₦67,990,026.62
f .	Police Trust Fund Account	₦ 0.00
g .	Non-oil Excess Revenue Account	₦ 455,610,239,905.84
h .	Forex Equalization Account	₦ 18,500,744,903.02
i .	EMTL Account	₦13,953,481,584.17
j .	Exchange Gain	₦ 80,230,572,340.52
k .	Excess Crude/PPT Account	\$473,754.57

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

## 9.0 Conclusion

9.1 Chairman and Members, thank you for listening.

  
Kabir M. Mashi, OON

(Kaigaman Katsina)

Chairman, FAAC Post Mortem Sub-Committee

September, 2023