

ANNEXURE "B"

FAAC POST MORTEM SUB-COMMITTEE

**FINAL REPORT OF THE AD-HOC COMMITTEE ON GAS REVENUE INTO THE
FEDERATION ACCOUNT IN THE MONTH OF JULY, 2021 SUBMITTED TO THE POST
MORTEM SUB-COMMITTEE MEETING OF 21ST JULY, 2022**

1.0 Introduction

- 1.1 Members may recall that during the FAAC meeting held on Friday, 14th July, 2021, it was observed that the Gas revenue accruable to the Federation Account was more than the accruable Crude Oil revenue in the month of July, 2021. Based on the observation, members called for explanations behind the increase on Gas revenue, however, NNPC's response was not satisfactory. Consequently, the matter was referred to the FAAC Post Mortem Sub-Committee to examine the surge in Gas Revenue and report back to Plenary. Accordingly, the FAAC Post Mortem Sub-Committee constituted an Ad-hoc Committee to critically examine the observation.
- 2.0 The Ad-hoc Committee was given the following terms of reference:
- a) To find out the reasons why Gas revenue was higher than Crude Oil revenue from April to July, 2021;
 - b) To examine State by State consumption of PMS because of continuous deduction of shortfall from the Federation Account;
 - c) To scrutinize Value Shortfalls deductions; and
 - d) To make appropriately recommendations to the FAAC Post Mortem Sub-Committee.
- 3.0 Accordingly, the Ad-hoc Committee held its inaugural meeting on Tuesday, 14th September, 2021. After extensive deliberation, the meeting resolved that there was need to write to NNPC and NMDPRA to provide information that would aid the Committee in carrying out the assignment.
- 3.1 It should be noted that while the Committee was trying to unravel the matter, NNPC at subsequent meetings continued to provide updates from its monthly reports about additional remittances of miscellaneous revenue into the Federation Account as follows:
- At the FAAC meeting of 21st September, 2021, NNPC in its Report, stated the receipt of the sum of **\$151,261,242.64** in respect of Miscellaneous receipts, Gas and Ullage fees and interest income in August 2021;
 - At the FAAC meeting held on 21st and 22nd October, 2021, NNPC also reported the receipt of the sum of **\$284,998,618.94** as Miscellaneous receipts, Gas and Ullage fees and Interest income for the month of September, 2021;

- From the records of 18th November, 2021, the sum of **\$93,879,473.69** was received as other miscellaneous receipts for October 2021;
- The sum of **₦131,904,902.65** was unclassified miscellaneous receipt for the month of December, 2021 as recorded in FAAC of January 2021.

4.0 Consequently, the relevant Agencies were communicated to provide the necessary information that would aid the Committee. In response, NNPC/NMDPRA forwarded submissions, which were analysed by the Secretariat as follows:

5.0 **NNPC's Explanation on the sudden surge in Gas revenue in the months of April – July, 2021.**

5.1 In its response, NNPC explained that the sudden surge in Gas revenue in the months of April-July, were as a result of unreconciled Ullage fees paid over a period into **NNPC Sinking Fund Account by SPDC** which were investigated and subjected to detailed reconciliation. Accordingly, the amount due to Federation was paid at each stage of the reconciliation period.

5.2 NNPC also attached a schedule for the transaction which contained the following information in table 1A and B:

Table 1A: Remittances that led to Upsurge in Gas Revenue in the months of July, August and September 2021 (INFLOW)

S/NO.	SPDC TRANSACTION DATE	TOTAL CREDIT (N)	PURPOSE OF INFLOW
1	10/11/2016 to 21/7/2017	14,915,345,007.84	2014 to 2017 shared income from Gas, Ullage, Osubi & miscellaneous
2	1/2/2018 to 10/9/2018	30,597,456,660.95	Gas, misc. and ullage
3	17/8/2021	5,597,456,660.95	Bal. c/f
4	3/1/2019 to 17/12/2019	21,515,246,862.07	Misc., ullage
5	06/1/2020 to 17/8/2021	16,631,765,209.11	Shared income of ullage and misc. for Jan-Dec 2015, April, July 2019 and Oct. to Nov 2020 and WHT Nov. 2020

Table 1B: Remittances that led to Upsurge in Gas Revenue in the months of July, August and September 2021 (OUTFLOW)

S/NO.	SPDC TRANSACTION DATE	AMOUNT (N)	PURPOSE	DETAILS OF PAYMENT
1	16/1/2020	14,915,345,007.84	FMF/Federation	Transferred Gas, ullage and Miscellaneous income to FMF for the year 2016 to 2017 eventually paid in January 2020 being 2016 and 2017 reconciled balance
2	13/7/2021	25,000,000,000.00	Payment to Federation Account.	Paid in July 2021 as part payment of 2017 and 2018 reconciled balance.

			Payment confirmed in 14 th July 2021 NNPC Report Appendix E to FAAC	
3	17/8/2021	27,112,703,523.02 (being 5,597,456,660.95 + 21,515,246,862.07	Payment to Federation Account in 17 th August, 2021 NNPC Report Appendix E to FAAC	Paid to Federation Account in August 2021 for 2018/2019 balances
4	06/1/2020 to 17/8/2021	16,631,765,209.11	Payment to Federation Account in 22 nd October 2021 NNPC Report Appendix E to FAAC	Shared income of ullage and misc. for Jan-Dec 2015, April, July 2019 and Oct. to Nov 2020 and WHT Nov. 2020

5.3 The following were observed from the submission made by NNPC on Gas revenue:

- i. That unreconciled Ullage fees over the period 2016 to 2021 was being kept in **NNPC Sinking Fund Account by SPDC;**
- ii. The sum of **₦14,915,345,007.84** was transferred to the Federal Ministry of Finance on 16th January, 2020 which was later credited to the Federation Account FMF for year 2016 to 2017 reconciled balance in respect of Gas, Ullage and miscellaneous income;
- iii. January 2017 to May 2018 reconciliation of Gas Miscellaneous and Ullage income amounted to **₦30,597,456,660.95**, however, the sum of **₦ 25,000,000,000.00** was transferred to the Federation Account on 13th July 2021 while the balance of **₦5,597,456,660.95** was carried forward;
- iv. On 17th August, 2021, the sum of **₦27,112,703,523.02 (being ₦5,597,456,660.95** carried forward plus **₦1,515,246,862.07)** was paid into the Federation Account for 2018/2019 price balances for Ullage and miscellaneous income;
- v. The sum of **₦16,631,765,209.11** paid to the Federation Account on 22nd October, 2021 was shared income of Ullage and Misc. for Jan-Dec 2015, April, July 2019 and Oct. to Nov 2020 and WHT Nov. 2020 respectively;
- vi. The Miscellaneous income, Gas and Ullage fees and the interest income were not segregated by NNPC, therefore the accruable revenue from each item especially from Gas could not be determined;

- 5.4 Based on Observation (vi), NNPC was therefore requested to segregate the sum of **₦7,340,652,022.31** (shown in Table 2 below) in order to ascertain the exact amount that accrued as Gas revenue.

Table 2: ANALYSIS OF MISCELLANEOUS REVENUE INTO THE FEDERATION ACCOUNT IN THE MONTHS OF JULY AND AUGUST, 2021

DESCRIPTION	PERIOD	AMOUNT
Gas, Ullage, Osubi, Miscellaneous	March, 2014	256,788,878.91
	June, 2014	2,428,829,420.26
	September, 2014	636,971,555.03
	October, 2014	277,174,523.57
Gas, Ullage and Osubi	May, 2014	284,065,544.84
	July, 2014	1,134,502,547.72
	November, 2014	2,322,319,551.98
	Sub-Total	7,340,652,022.31
Ullage	January, 2016	1,798,565,600.41
	February, 2016	2,484,102,541.62
	May, 2016	218,141,698.49
	October, 2016	1,713,423,432.09
	February, 2017	738,886,118.33
	April, 2017	1,065,807,432.78
	July, 2017	4,823,808,911.12
	August, 2017	2,577,654,196.46
	September, 2017	2,809,117,562.78
	October, 2017	2,079,834,216.89
	December, 2017	1,604,626,762.97
	January, 2018	3,310,044,325.09
	February, 2018	5,838,809,508.25
	April, 2018	1,616,729,951.00
	May, 2018	2,513,099,414.22
	June, 2018	6,137,803,717.38
	August, 2018	1,581,764,675.45
	September, 2018	1,563,555,925.60
	October, 2018	3,490,476,763.57
	December, 2018	1,936,628,752.14
January, 2019	2,168,988,318.83	

	February, 2019	1,756,024,816.86
	April, 2019	4,458,247,952.78
	July, 2019	1,720,446,666.67
	October, 2020	1,060,587,341.23
	November, 2020	857,825,335.84
	Sub-Total	61,925,001,938.85
Ullage and Miscellaneous	December, 2015	162,324,293.12
	January to December, 2015	7,978,642,856.32
	September, 2016	459,249,301.39
	June, 2017	488,538,657.79
	Sub-Total	9,088,755,108.62
Gas	April, 2018	1,644,917,983.28
	Sub-Total	1,644,917,983.28
Miscellaneous	September, 2017	43,001,193.02
	December, 2017	159,606,684.63
	June, 2018	21,969,850.67
	September, 2018	107,037,115.51
	December, 2018	77,549,425.05
	March, 2019	25,696,936.52
	November, 2020	(2,150.00)
	November, 2020	(3,225.00)
	Sub-Total	434,855,830.40
WHT	November, 2020	556,020,431.27
	Sub-Total	556,020,431.27
	GRAND TOTAL	80,990,203,314.73
PAYMENT TO FMF/FEDERATION ACCOUNT	JANUARY, 2020	14,915,345,007.86
PAYMENT TO FEDERATION ACCOUNT	JULY, 2021	25,000,000,000.00
PAYMENT TO FEDERATION ACCOUNT	AUGUST, 2021	27,112,703,523.02
PAYMENT TO FEDERATION ACCOUNT	OCTOBER, 2021	16,631,765,209.11

NOTE: Details of the sum of ₦27,112,703,523.02 paid into the Federation is as follows:

Unpaid Balance b/f from 2017, 2018 Reconciled balance = ₦5,597,456,660.02

2018/2019 Reconciled Balances is

₦21,515,246,862.07

₦27,112,703,522.09

5.5 Note that table 2 above, indicated that:

	February, 2019	1,756,024,816.86
	April, 2019	4,458,247,952.78
	July, 2019	1,720,446,666.67
	October, 2020	1,060,587,341.23
	November, 2020	857,825,335.84
	Sub-Total	61,925,001,938.85
Ullage and Miscellaneous	December, 2015	162,324,293.12
	January to December, 2015	7,978,642,856.32
	September, 2016	459,249,301.39
	June, 2017	488,538,657.79
	Sub-Total	9,088,755,108.62
Gas	April, 2018	1,644,917,983.28
	Sub-Total	1,644,917,983.28
Miscellaneous	September, 2017	43,001,193.02
	December, 2017	159,606,684.63
	June, 2018	21,969,850.67
	September, 2018	107,037,115.51
	December, 2018	77,549,425.05
	March, 2019	25,696,936.52
	November, 2020	(2,150.00)
	November, 2020	(3,225.00)
	Sub-Total	434,855,830.40
WHT	November, 2020	556,020,431.27
	Sub-Total	556,020,431.27
	GRAND TOTAL	80,990,203,314.73
PAYMENT TO FMF/FEDERATION ACCOUNT	JANUARY, 2020	14,915,345,007.86
PAYMENT TO FEDERATION ACCOUNT	JULY, 2021	25,000,000,000.00
PAYMENT TO FEDERATION ACCOUNT	AUGUST, 2021	27,112,703,523.02
PAYMENT TO FEDERATION ACCOUNT	OCTOBER, 2021	16,631,765,209.11

NOTE: Details of the sum of ₦27,112,703,523.02 paid into the Federation is as follows:

Unpaid Balance b/f from 2017, 2018 Reconciled balance = ₦5,597,456,660.02

2018/2019 Reconciled Balances is ₦21,515,246,862.07

₦27,112,703,522.09

5.5 Note that table 2 above, indicated that:

- i. NNPC did not segregate revenue from reconciliation balances from Gas, Ullage, Osubi and miscellaneous amounting to **₦7,340,650,022.31**, therefore the amount accruable to Gas was not explicit and in order to determine the revenue remittance on Gas, NNPC has to segregate Gas revenue from the total remittance of **₦7,340,650,022.31**.
- ii. The Gas revenue from April 2018 was **₦1,644,917,983.28**;
- iii. that the surge was as a result of remittances made into the Federation Account in July, 2021 from reconciliation balances of Gas, Ullage, Osubi, Miscellaneous Income, WHT which were all captured under Gas revenue which ought not to be so.

6.0 The above findings was presented to the Sub-Committee in its meeting and after extensive deliberation, the meeting directed that NNPC should further provide the following information arising from the analysis carried out:

- i. Segregate the values of Gas revenue from Miscellaneous, Ullage, Osubi and Gas reconciliation balances of **₦7,340,650,022.31** in order to ascertain the actual revenue inflow from Gas;
- ii. Explain why NNPC has been keeping revenue due to the Federation Account in a Sinking Fund Account for five years (2016 – 2021);
- iii. Furnish stakeholders with details of the Sinking Fund Account and to pay interest accruable on the amount withheld in respect of Miscellaneous, Gas, Ullage, Osubi and WHT inflows from 2014 to 2021(if any);
- iv. Explain why NNPC should remit WHT to the Federation Account without recourse to the Federal Inland Revenue Service (FIRS) who is mandated to remit such tax to the Federation Account;

7.0 According, NNPC was communicated on 10th May, 2022 to provide the above information. NNPC responded in a letter dated 14th June, 2022, providing the following explanation:

- A. Segregation of the values of Gas revenue from Miscellaneous, Ullage, Osubi and Gas reconciliation balances of **₦7,340,650,022.31** in order to ascertain the actual revenue inflow from Gas –

NNPC responded that out of the sum of **₦7,340,650,022.31**, only the sum of **₦467,280,142.52** was actually Gas revenue, hence there was no surge in Gas revenue.

It is worthy to note that table 2 shows that the total sum of **₦80,990,203,314.73** was Miscellaneous, Gas, Ullage, Osubi and WHT paid

into the Federation Account amount for the period under review. Out of the sum of **₦80,990,203,314.73**, only the sum of **₦2,112,198,125.8** (**₦ 1,644,917,983.28 + ₦467,280,142.52**). This clearly indicated that there was no surge in Gas revenue in the months of July and August 2021.

B. Why NNPC kept revenue due to the Federation Account in a Sinking Fund Account for five years (2016 – 2021)?:

NNPC's response:-

- In 2015 Mr. President approved the utilization of dividend stream and all recovered outstanding legacy debt from the operations of AFAM IV and Okpai JV IPPs by NNPC Gas and Power Investment Company (NGPIC) for funding of future investments in other power projects.
- In 2016 SPDC was advised with NNPC's Sinking Fund Account pending the incorporation of NGPIC.
- All Proceeds from AFAM IV IPP being operated by SPDC were paid into this account in bulk.
- In 2019 NEITI Audit exercise, it was realized that the proceeds received from AFAM IPP includes other stream of revenue belonging to the Federation.
- After the Audit exercise, NNPC liaised and agreed with SPDC to segregate all payments made from 2016 into various streams.
- In 2020 NNPC secured management approval and transferred what belonged to Federation Account.
- NNPC advised SPDC to route all proceeds accruable to the Federation to the Oil and Gas Revenue Account with CBN while Power sales proceeds to NGPIC's Account.

C. NNPC to furnish Stakeholders with details of the Sinking Fund Account and to pay interest accruable on the amount withheld in respect of Miscellaneous, Gas, Ullage, Osubi and WHT inflows from 2014 to 2021(if any):

NNPC provided the details of the bank account as follows:

Name: NNPC Sinking Fund Account

Number: 0020536161032

Bank: Central Bank of Nigeria

In respect of any accrued interest, NNPC stated that TSA Accounts do not accrue any interest as such no interest is accrued".

- D. Why NNPC remitted WHT to the Federation Account without recourse to the Federal Inland Revenue Service (FIRS) who is mandated to remit such tax to the Federation Account –

NNPC said the WHT was erroneously transferred to NNPC account but was promptly reversed and remitted to Federation Account.

8.0 State by State consumption of Premium Motor Spirit (PMS)

- 8.1 The consumption of PMS has been a major concern to members and it was raised severally at the FAAC Plenary. Therefore, in order to ascertain the consumption, the Sub-Committee also requested the relevant Agencies to submit the State by State consumption of PMS in the country for the year 2021. Accordingly, the Agencies have started responding with the relevant details which is still being analysed after which a Report would be submitted.

9.0 Deduction of Value Shortfall from the Federation Account.

- 9.1 The sum of **₦1,430,157,803,500.76** was deducted from the Federation Account as Value Shortfall in the period January to December, 2021 as shown in the table below:

Table 3: Value Shortfall for January to December, 2021

NNPC VALUE SHORTFALL FROM JANUARY - DECEMBER, 2021		
S/N	MONTHS	SHORTFALL
		(₦)
1	January	25,374,228,794.87
2	February	60,396,474,465.87
3	March	61,966,456,903.74
4	April	126,298,457,944.36
5	May	164,337,097,352.49
6	June	103,286,281,752.62
7	July	173,131,639,213.61
8	August	149,283,084,869.20
9	September	163,852,701,500.49
10	October	131,400,236,846.95
11	November	270,831,143,856.56
12	December	25,374,228,794.87
	Total	1,430,157,803,500.76

10.0 Findings/Observations to Note:

- 10.1 Members are invited to note the following key observations:

- i. That the total sum of **₦80,990,203,314.73** was Miscellaneous, Gas, Ullage, Osubi and WHT paid into the Federation Account under the period under review. Out of the sum of **₦80,990,203,314.73**, only the sum of **₦2,112,198,125.80** was actual Gas revenue. This clearly indicates that there was no surge in Gas revenue in the months of July and August 2021;
- ii. That unreconciled Ullage fees over the period 2016 to 2021 was being kept in **NNPC Sinking Fund Account by SPDC** as advised by SPDC to NNPC pending the incorporation of NGPIC.
- iii. Mr. President, in 2015, approved the utilization of dividend stream and all recovered outstanding legacy debt from the operations of AFAM IV and Okpai JV IPPs by NNPC Gas and Power Investment Company (NGPIC) for funding of future investments in other power projects;
- iv. NNPC maintains a Sinking Fund Account with CBN with Account no. 0020536161032;
- v. TSA Accounts do not accrue any interest as such no interest is accrued into the Sinking Fund Account as explained by NNPC.
- vi. The sum of **₦1,430,157,803,500.76** was deducted from the Federation Account as Value Shortfall in the period January to December, 2021;
- vii. WHT was erroneously transferred into the NNPC account, however, the amount was promptly reversed and remitted to the Federation Account.

11.0 Conclusion

- 11.1 The Analysis carried out above has shown that the surge in Gas revenue in the months of July and August, 2021 was as a result of Reconciliation Arrears paid into the Federation Account from Miscellaneous income, Gas, Ullage, Osubi and WHT. Out of the sum of **₦80,990,203,314.73**, only the sum of **₦2,112,198,125.80** was actual Gas revenue, which clearly indicates that there was no surge in Gas revenue in the months of July and August 2021.
- 11.2 NNPC should endeavor to carry out bi-annual or annual Audit/ Reconciliation to ensure that such delays in remittances to the Federation Account does not occur again.



Mary John Dasibel

For: Secretary, FAAC Post Mortem Sub-Committee
22nd July, 2022