

**FAAC POST-MORTEM SUB-COMMITTEE REPORT TO FEDERATION ACCOUNT
ALLOCATION COMMITTEE (FAAC) PLENARY MEETING HOLDING ON TUESDAY,
26TH JULY, 2022**

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting for the month of July, 2022 was held on Friday, 22nd July, 2022 at the Board Room of the Revenue Mobilization Allocation and Fiscal Commission (RMAFC). The meeting was attended by members of the RMAFC, representatives of Commissioners of Finance and Accountants-General from all the geo-political zones, as well as representatives of the Revenue Generating Agencies and Consultants to FAAC Post-Mortem Sub-Committee.
- 1.2 The Sub-Committee discussed several issues and hereby present the summary to the FAAC Plenary for consideration.

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

a) Waivers on Taxes: At the meeting of the Sub-Committee, the Federal Inland Revenue Service (FIRS) reported that it had no further update on the matter. The Service is still awaiting its Board's approval to revoke earlier approval granted on the Tax Amnesty Programme to tax payers. The outstanding sum still stood at **₦3,591,039,664.27**.

b) Update on NNPC's Deductions in Respect of Government Priority Projects: At the Sub-Committee meeting held on Friday, 22nd July, 2022, members were informed by NNPC's representative at the meeting that NNPC's Management was finalizing arrangements to enable the Post-Mortem Sub-Committee visit the various locations of the Government Priority Projects. NNPC is also being expected to provide the Status Report for all the Government Priority Projects. In view of the new status of NNPC as a Limited Liability Company, members expressed concerns about the execution of the Priority Projects and whether there will be continued deductions from the Federation Account.

However, members are to note that from the NNPC records, total deductions in respect of funding for Government Priority Projects in year 2022 amounted to a total sum of **₦80,660,800,996.75** as shown in table 1 below.

Table 1: Summary of Cumulative Monthly Total Government Priority Projects Funding from January to May, 2022

S/N	Monthly	Monthly Total Government Priority Projects Funding (N)	Cumulative Total (N)
i.	January, 2022	24,836,128,257.47	24,836,128,257.47
ii.	February, 2022	0.00	24,836,128,257.47
iii.	March, 2022	19,198,677,047.62	44,034,805,305.09
iv.	April, 2022	17,888,313,333.33	61,923,118,638.42
v.	May, 2022	18,745,682,358.33	80,660,800,996.75

c) Update on the Review of Indices for the Horizontal Sharing of Revenue in the Federation Account: The matter is still work in progress.

d) Update on \$2,226,998,165.02 NPDC Indebtedness to DPR on Forcados Assets OML 119, 60-63, 11, 24 and 98: Members may recall that the Sub-Committee earlier reported that the Management of NPDC and NUPRC had jointly adopted a resolution on the Legacy Debt in their reconciliation meeting of 3rd and 4th March, 2022. Thereafter, the Ad-hoc Committee further examined the irregularities and discrepancies observed between the previous resolutions at the January, 2020 reconciliation meeting and that of March, 2022. The Sub-Committee requested and received further correspondences from NUPRC clarifying some of the issues and reinstating its earlier resolution to allow the application of **₦1,568,538,135.00** worth of Atlantic Energy lifting from Forcados and Brass Assets to defray part of the indebtedness of NPDC to NUPRC from the sum of **\$2,226,998,165.02** as per the extract of the National Economic Council (NEC) presented by NPDC. Furthermore, NUPRC and NPDC has agreed that NPDC should pay the outstanding legacy debt of the sum of **\$599,818,170.02** in nine months starting from May, 2022 on a monthly instalment of **\$66,645,907.78**. The Final Report of the Sub-Committee containing the details is hereby attached to this Report as **Annexure A**.

e) Update on increased Gas Revenue Inflow to the Federation Account in the Month of July, 2021.

The Sub-Committee had earlier received and considered NNPC's response on the matter. However, NNPC was requested to segregate the revenues accrued in order to ascertain exactly what accrued as Gas Revenue. Accordingly, in a letter dated 14th June, 2022, NNPC segregated the values of Gas revenue from Miscellaneous, Ullage, Osubi, which showed that out of the total sum of **₦80,990,203,314.73**, the actual Gas revenue for the period under review was **₦2,112,198,125.80**. Their response clearly indicated that there was no surge in Gas revenue in the month of July 2021 under reference and also in the subsequent month of August, 2021. Other relevant information are contained in the Report therein attached as **Annexure B**. The other aspect of the Report which is considering the data on State-by-State consumption of Premium Motor Spirit (PMS) is still being worked on by the Sub-Committee.

f) Exchange Rate Issues: The Sub-Committee is still working on the two aspects of the assignment received from FAAC Plenary. The two aspects are:

(1) Exchange Rate Application by NNPC on Domestic Crude: The Sub-Committee has completed the analysis of Exchange rates applied by NNPC on Domestic Crude Cost payable to the Federation Account for the period 2018 to 2021, however, the analysis for the remaining period (2015-2017) is still on-going. The findings arising from the extended Analysis would be presented to members as soon as it is ready.

(2) Transactions Made from Exchange Gain and Forex Equalization Account. The Sub-Committee had received the Report on Review of Exchange Rate Differentials in Accounting for FAAC Inflows (2015 to 2021) from the Forum of States Commissioners of Finance in Nigeria. The Sub-Committee resolved to harmonize both Reports which would be presented to FAAC.

g) Assessing the Impact of FAAC PMSC on Outstanding Arrears of Revenue Inflows to the Federation in January to May, 2022: For the period of January to May, 2022, the Sub-Committee wishes to report that a total sum of **\$689,810,898.05** which was equivalent of **₦364,888,209,024.95** was received into the Federation Account as arrears of payment from different sources as Shown in Table 2 below. These payments were made as part of efforts by the Sub-Committee's monthly analysis and reconciliation of revenue collections and remittances into the Federation Account.

Table 2: Revenue Inflows of Arrears Owed to the Federation Account in January to May, 2022

S/N	Period	Detail	Amount of Receipts in USD (\$)	CBN Exchange Rate/\$	Amount in Naira Equivalent (₦)
i.	January, 2022	NLNG Sales (Arrears)	8,011,750.25	389.00	3,116,570,847.25
ii.		General Insurance Claims	62,928.77	389.00	24,479,291.53
iii.		Southern Hydro Carbon	22,674,870.16	389.00	8,820,524,492.24
iv.		NUPRC Good and Valuable Consideration	26,836,056.00	389.00	10,439,225,784.00
v.		Pan Ocean – Domestic Gas Arrears	-	-	2,000,000,000.00
vi.		NUPRC Dollar Royalty Arrears (November)	5,206,950.00	389.00	2,025,503,550.00
vii.		N-Gas	1,141,109.61	389.00	443,891,638.29
viii.		Mobil	22,266,645.69	389.00	8,661,725,173.41
			Total	86,200,310.48	
i.	February, 2022	NLNG Sales (Arrears)	559,029.75	387.01	216,349,813.33
ii.		General Insurance Claims	2,411,325.73	389.17	938,415,634.34
iii.		Southern Hydro Carbon	1,104,705.29	389.17	429,918,157.71
iv.		NUPRC Good and Valuable Consideration	-	387.01	40,098,713,121.31
v.		Pan Ocean – Domestic Gas Arrears	28,528.00	389.17	11,102,241.76
vi.		NUPRC Dollar Royalty Arrears (November)	-	387.01	44,147,560,820.86
vii.		N-Gas	3,839,560.87	389.17	3,114,214,566.75
viii.		Mobil	34,611.17	389.17	13,469,629.03
			Total	7,977,760.81	
i.	March, 2022	NUPRC Arrears of NNPC Crude Oil Export Sales Revenue	75,883,414.07	389.17	29,351,548,253.62
ii.		NNPC Arrears of LPG/NGL Gas Export Sales Revenue	32,038,127.81	389.17	12,472,443,156.43
iii.		NNPC Arrears of NLNG Feedstock Revenue	83,678,661.22	389.17	32,565,224,586.87
iv.		NNPC LPG/NGL JV Cash Call Naira Revenue	-	387.17	2,154,003,297.40
v.		November, 2021/February, 2022 FIRS Naira PPT (Arrears)	123,120,201.21	386.30	47,561,333,727.81
vi.		NUPRC January, 2022 Outstanding Royalty Inflow (CBN)	7,271,160.09	389.17	2,270,800,372.23
vii.		NUPRC November, 2021/February, 2022 Naira Royalty	120,547,612.50	386.30	46,567,542,708.71
viii.		NUPRC Dollar Royalty January/February, 2022	23,931,184.00	389.17	9,313,298,877.28
			Total	446,470,360.09	
i.		NNPC JV NGL/LPG Arrears	29,944,298.11	389.66	11,668,095,201.54
ii.		NNPC NLNG Sales Revenue Arrears	4,260,925.88	389.66	1,660,312,378.40
iii.		NNPC /NUPRC December, 2021 Royalty Arrears	37,949,400.00	388.68	14,750,172,792.00
iv.		NNPC/NUPRC February, 2022 Royalty Arrears	4,972,480.00	389.00	1,934,294,720.00

April, 2022	NNPC/NUPRC November, 2021 Con. Rent Arrears	307,282.50	386.30	118,703,229.75
	Total	77,434,386.49		30,131,578,321.69
May, 2022	NLNG Sales (Arrears)	5,316,334.80		2,085,863,958.79
	N-Gas Sales Arrears	1,932,779.56	392.35	758,326,060.37
	NUPRC MCA Gas Arrears	37,133.32	389.66	14,469,369.42
	NUPRC DSDP Royalty Arrears	42,878,032.50	389.00	16,679,554,642.50
	NUPRC Arrears of GVC paid to OAGF	21,563,800.00	392.35	8,460,556,930.00
	Total	71,728,080.18		27,998,770,961.08
	G/Total	689,810,898.05		364,888,209,024.95

Source: FAAC Analysis, February to June, 2022

3.0 VAT Pool Account Collection for January to May, 2022

3.1 A total sum of **₦980,602,895,603.23** accrued into the VAT Pool Account from January to May, 2022. The information shows that FIRS VAT collection for the period represented a 94.29% performance. However, the cumulative collection was lower than the cumulative target by **₦37,332,707,327.67** as shown in table 3 below.

Table 3: VAT Pool Account Collections Analysis for January to May, 2022

S/N	Month	Monthly Target ₦	Actual Collection ₦	Variance ₦	Remark	Performance
						%
1	January, 2022	203,482,920,586.10	191,221,765,349.04	-12,261,155,237.06	Negative	93.97
2	February, 2022	203,482,920,586.10	177,872,738,753.04	-25,610,181,833.06	Negative	87.41
3	March, 2022	203,482,920,586.10	219,504,327,729.96	16,021,407,143.86	Positive	107.87
4	April, 2022	203,842,920,586.10	178,825,094,248.50	-25,178,826,338.00	Negative	87.73
5	May, 2022	203,482,920,586.10	213,178,969,522.69	9,696,048,936.59	Positive	104.76
		1,017,774,602,930.50	980,602,895,603.23	-37,332,707,327.67		96.34

Source: FAAC Analysis, June, 2022

4.0 NNPC Value Shortfall Recovery from Federation Account from January to May, 2022

4.1 Members are invited to note the deductions of NNPC Value Shortfall from the Federation Account for the period of January to May, 2022. The total sum deducted by NNPC for Premium Motor Spirit (PMS) Subsidy is **₦1,274,592,014,336.73**. Table 4 below shows the monthly deductions and the cumulative amounts deducted for the period under review.

Table 4: Summary of NNPC Value Shortfall Recovery from Federation Account from January to May, 2022

S/N	Month	Monthly Shortfall from FA (N)	Cumulative Total (N)
i.	January, 2022	210,381,727,053.04	210,381,727,053.04
ii.	February, 2022	219,783,148,011.13	430,164,875,064.17
iii.	March, 2022	245,772,559,462.62	675,937,434,526.79
iv.	April, 2022	271,588,672,761.88	947,526,107,288.67
v.	May, 2022	327,065,907,048.06	1,274,592,014,336.73

Source: OAG/FAAC Records, June, 2022

5.0 Balances in Special Funds as at 30th May 2022:

5.1 Members may wish to note the balances of some Special Funds Account as at 30th May, 2022:

Table 5: Balances in Special Funds as at 30th May, 2022

S/N	ITEM	AMOUNT
1	Stabilization Fund Account	₦ 36,089,464,219.01
2	Development of Natural Resources	₦ 61,234,571,170.58
3	Domestic Excess Crude Proceed	₦ 4,133,311,073.07
4	Solid Mineral Account	₦ 8,183,963,368.18
5	Oil Excess Revenue Account	₦ 67,990,026.62
6	Police Trust Fund Account	₦ 28,650,501,588.59
7	Non-oil Excess Revenue Account	₦ 260,000,000,000.00
8	Forex Equalization Account	₦ 95,888,231,702.22
9	Excess Crude/PPT and Royalty Account	\$ 35,376,655.09

Source: OAGF/FAAC Records, June, 2022

6.0 Conclusion

6.1 Thank you very much for your attention



H. E. Chris A. Akomas PhD, FNIM

For: Chairman, FAAC Post Mortem Sub-Committee
25th July, 2022