

FAAC POST-MORTEM SUB-COMMITTEE

REPORT OF FAAC POST-MORTEM SUB-COMMITTEE MEETING HELD ON TUESDAY 14TH FEBRUARY, 2023 AT RMAFC, ABUJA

Presented to the
FEDERATION ACCOUNT ALLOCATION COMMITTEE (FAAC) MEETING,
HOLDING ON FRIDAY 17TH FEBRUARY, 2023

1.0 PREAMBLE

- 1.1 The FAAC Post-Mortem Sub-Committee meeting was held on Tuesday 14th February, 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:

On the balance of **\$599,813,170.02** out of the sum of **\$2.2 Billion** Nigeria Petroleum Development Company (NPDC) Legacy Debt owed to Nigeria Upstream Petroleum Regulatory Commission (NUPRC) after a Presidential waiver of **\$1.56 billion was granted to NNPC/NPDC** by Mr. President. The Sub-Committee wrote to NUPRC requesting for the amount that had been received, disbursed and the balance in respect of the NPDC Indebtedness to the NUPRC.

NUPRC in its response, reported that out of the sum of **\$599,813,170.02** NPDC GVC Indebtedness, the sum of **\$263,494,870.00** had been paid leaving an outstanding of **\$336,318,300.02** as indicated on Table 1 below.

Table 1: Payment of Good and Valuable Consideration by NPDC

VALUE DATE	PAYMENT (\$)	INITIAL AMOUNT (\$)
31-May-22	21,563,800.00	599,813,170.02
17-Jun-22	64,380,000.00	
27-Jun-22	40,853,920.00	
27-Jun-22	14,381,350.00	
13-Sep-22	21,475,800.00	
18-Nov-22	100,840,000.00	
TOTAL	263,494,870.00	Less: 263,494.870.00
NEW BALANCE		336,318,300.02

However, NUPRC further reported that the sum of **\$21,563,800.00** wrongly paid into OSP account had been reversed to GVC account by the OAGF in December, 2022 while the sum of **\$21,475,800.00** paid into JV Oil Royalty account had been shared in October, 2022 Federation Account. Therefore, the total outstanding amount erroneously transferred to other accounts stood at **\$186,695,800.00** and is still undergoing reconciliation.

b) Update on Exchange Rate Issues

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

During the reconciliation meeting, it was observed that within the Post-Mandated Period, the issue of Non-Application of Mandated Rates by CBN for the months of March, April and May 2020 resulted in the underpayment to the Forex Equalization Account by **₦67,103,539,195.29**. The Sub-Committee had earlier submitted its Report to FAAC Plenary and awaits FAAC's decision on the matter.

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 it had established the sum of **₦185,458,842,270.76** 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 2022. The FAAC Post Mortem Sub-Committee had updated its record to December, 2023 which brought the sum to **N195,595,585,470.70**. The CBN, NUPRC and FIRS confirmed that NNPC did not use the Rate advised by the Bank. Therefore, after extensive deliberation on the matter, the Sub-Committee resolved that:

- a. FAAC Plenary should take up the issue with NNPC at the top management level; or
- b. FAAC Post Mortem Sub-Committee should escalate the matter to RMAFC as the Commission is empowered by law to monitor accruals into the Federation Account.

c) Update on Tax Refund

You may recall that the Sub-Committee reported at the last FAAC meeting that FIRS submitted a document showing the beneficiaries, tax type and the amount regarding Tax refund to enable the Sub-Committee conclude its assignment. Thereafter, the Ad-hoc Committee met to review the submission made by FIRS and is yet to be concluded.

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

Recall that the Sub-Committee constituted an Ad-Hoc Committee to review the FGN/CBN Treasury Crude Account No: 20054141287 based on the presentation made by the Consultant engaged by the Nigeria Governor Forum to ascertain whether all revenues generated by the Revenue Generating Agencies paid into a Designated Account with the Central Bank of Nigeria (CBN) between January 2006 to December 2021 were accounted for.

Also recall that the Sub-Committee reported that CBN turned down the invitation of the Ad-Hoc Committee stating that the bank is not answerable to

the FAAC Post Mortem Sub-Committee but Revenue Mobilisation Allocation and Fiscal Commission (RMAFC). Despite sending another letter signed by the Chairman of RMAFC requesting the bank to send appropriate representatives to the meetings of the Ad-hoc Committee to enable the Sub-Committee proceed with the assignment, CBN still did not respond. Hence, at the last Sub-Committee meeting of 14th February, 2023, it was resolved as follows:

- i. FAAC should request the Nigeria Governors Forum to engage the Governor of CBN in order to resolve the issue since CBN is yet to respond to the FAAC Post Mortem Sub-Committee invitation to the reconciliation meeting; **or**
- ii. FAAC Post Mortem Sub-Committee to officially hand it over to the Chairman of RMAFC to take up the issue with the CBN Governor.

3.0 Statutory Net Revenue Generation and Disbursement For The Period January To December, 2022 Federation Account

3.1 The Statutory gross revenue accruals into the Federation Account between January to December, 2022 was **N9,560,825,877,553.87**. Federal Inland Revenue Service (FIRS) made the largest contribution of **N5,022,949,027,325.57 (52.54%)** followed by Nigerian Upstream Petroleum Regulatory Commission (NUPRC) **N2,521,646,800,750.06 (26.37%)**, Nigeria Customs Service (NCS) contributed **N1,686,971,982,303.34 (17.64%)** and Nigerian National Petroleum Company (NNPC) **N329,285,067,174.90 (3.44%)** as indicated in table 2 below:

Table 2: Federation Account Revenue Accruals for the Period January-December, 2022.

AGENCIES	JAN-MARCH, 2022 (First Quarter)	APR-JUNE, 2022 (Second Quarter)	JULY-SEPT, 2022 (Third Quarter)	OCT-DEC. 2022 (Fourth Quarter)	GRAND TOTAL JAN-DEC. 2022
	(N)	(N)	(N)		(N)
NNPC	99,451,581,311.51	229,270,643,307.14	562,842,556.25	-	329,285,067,174.90
NUPRC	485,050,843,097.10	607,617,547,156.91	681,497,872,105.91	747,480,538,390.14	2,521,646,800,750.06
FIRS	879,662,191,879.80	1,207,610,990,622.48	1,419,039,942,686.48	1,516,635,902,136.81	5,022,949,027,325.57
NCS	394,705,075,004.29	412,932,791,990.15	446,377,728,933.43	432,956,386,375.47	1,686,971,982,303.34
TOTAL	1,858,869,691,292.70	2,457,431,973,076.68	2,547,478,386,282.07	2,697,072,826,902.42	9,560,852,877,553.87

3.3 From the total sum of **N9,560,825,877,553.87** generated in the period under review, the Office of the Accountant-General of the Federation (OAGF) made statutory deductions of **N3,432,595,082,300.62** leaving a net balance of **N6,128,257,795,253.25** available for distribution to the three tiers of government. Details are shown in table 3 below:

Table 3: Federation Account Statutory Deductions for the Period January-December, 2022.

DESCRIPTION	JAN-MARCH, 2022 (First Quarter)	APR-JUNE, 2022 (Second Quarter)	JULY-SEPT, 2022 (Third Quarter)	OCT-DEC. 2022 (Fourth Quarter)	GRAND TOTAL JAN-DEC. 2022
	(N)	(N)	(N)	(N)	(N)
Frontier Exploration Service	(3,883,509,854.49)	-	-	-	(3,883,509,854.49)
Ness Fees	(448,039,884.41)	-	-	-	(448,039,884.41)
Gas Receipts (Export)	-	-	-	-	-
Refund of Cost of Collection on Gas income to FIRS	-	-	(2,955,662,056.31)	-	(2,955,662,056.31)
Less Anambra State 13% Deriv.	-	(305,637,137.29)	-	-	(305,637,137.29)
Less payments (JVC CRUDE) ETC	(63,461,848,781.08)	(150,378,349,749.21)	-	-	(213,840,198,530.29)
Nigeria Morocco Gas Pipeline	(1,504,397,000.00)	(1,504,397,000.00)	-	-	(3,008,794,000.00)
Gas Infrastructure Development	(3,602,072,689.23)	(3,835,176,250.00)	-	-	(7,437,248,939.23)
Domestic Gas Development	(3,523,667,292.00)	(4,523,306,974.60)	-	-	(8,046,974,266.60)
Transfer to NMDPRA	-	-	-	(17,395,427,897.55)	(17,395,427,897.55)
Refinery Rehabilitation	(17,194,712,476.97)	(51,529,413,333.33)	-	-	(68,724,125,810.30)
Oil and Gas Revenue Value Shortfall	-	-	(562,842,556.25)	-	(562,842,556.25)
Cost of Collection – DPR	(20,155,685,097.21)	(25,128,166,223.30)	(27,964,022,663.86)	(31,255,158,837.28)	(104,503,032,821.65)
Pre-Export Financing	(5,833,333,333.33)	(17,500,000,000.00)	-	-	(23,333,333,333.33)
13% Refunds on Subsidy, Priority Projects & Police Trust Funds from 1999 to Dec 2021	(54,489,236,557.14)	(54,489,236,557.14)	(54,489,236,557.14)	(54,489,236,557.14)	(217,956,946,228.56)
0.05% POLICE Commission Ded Mineral Revenue	-	-	-	-	-
13% Derivation Refund on withdrawals from ECA	(77,281,959,865.66)	(77,871,450,424.97)	(80,260,969,972.62)	(83,650,856,261.69)	(319,065,236,524.94)
13% Refunds on Subsidy, Priority Projects & Police Trust Funds 2022	(95,167,525,897.96)	(112,271,356,121.62)	(168,177,447,862.56)	(152,771,185,508.79)	(528,387,515,390.93)
Less Refunds NCS	(2,183,078.00)	-	-	-	(2,183,078.00)
Cost of Collection –NCS	(27,629,355,250.30)	(28,905,295,439.31)	(31,246,441,025.34)	(30,306,947,046.28)	(118,088,038,761.23)
Refunds on Cost of Collection-FIRS	(300,000,000.00)	(300,000,000.00)	(300,000,000.00)	(300,000,000.00)	(1,200,000,000.00)
Less Refunds –FIRS	(12,000,000,000.00)	(5,000,000,000.00)	(12,000,000,000.00)	(9,000,000,000.00)	(38,000,000,000.00)
Cost of Collection - FIRS	(22,390,235,345.77)	(29,117,405,824.99)	(32,598,813,916.16)	(26,343,880,142.34)	(110,450,335,229.26)
TRANSFER TO NON OIL EXCESS	(300,000,000,000.00)	(440,000,000,000.00)	(420,000,000,000.00)	(485,000,000,000.00)	(1,645,000,000,000.00)
TOTAL DEDUCTIONS	(708,867,762,403.55)	(1,002,659,191,035.76)	(830,555,436,610.24)	(890,512,692,251.07)	(3,432,595,082,300.62)
NET AMOUNT FOR DISTRIBUTION	1,150,001,928,889.15	1,454,772,782,040.92	1,716,922,949,671.83	1,806,560,134,651.35	6,128,257,795,253.25

3.4 Table 4 below indicated that after the deducting **13% Mineral Revenue Derivation** of **N596,024,168,022.70** given to the Oil producing States, the Federal Government received **N2,914,380,674,509.39 (52.68%FA)**, States Government **N1,478,212,825,035.89 (26.72%FA)** and Local Governments **N1,139,640,127,086.07 (20.60%FA)**.

3.5 Furthermore, there were additional augmentations of **N42,981,361,336.43** Exchange Gain Differentials, Excess Bank Charges of **N16,370,713,397.33** recovered from RMAFC reconciliation exercise and Non-Oil Excess amount of **N360,000,000,000.00**. This brought the total gross distributable amount to **N6,547,609,869,387.81** in the period January to December, 2022. Details are in table 4 below.

Table 4: Revenue Distribution to the tiers of Government in the Period January to December, 2022

BENEFICIARIES	FEDERATION ACCOUNT	JAN-MARCH, 2022 (First Quarter)	APR-JUNE, 2022 (Second Quarter)	JULY-SEPT, 2022 (Third Quarter)	OCT-DEC, 2022 (Fourth Quarter)	STATUTORY DISTRIBUTION (JANUARY TO DECEMBER, 2022)	EXCHANGE GAINS DIFFERENTIALS(JAN- DEC. 2022)	EXCESS BANK CHARGES RECOVERED BY RMAFC (JAN-DEC. 2022)	NON OIL EXCESS REVENUE (JAN-DEC. 2022)	TOTAL NET ALLOCATION TO THE THREE TIERS OF GOVERNMENT (JANUARY - DECEMBER, 2022)
		(N)	(N)	(N)	(N)	(N)	(N)	(N)	(N)	(N)
FGN	52.68% FA	534,441,230,757.69	695,394,098,688.62	829,770,738,173.56	854,774,606,889.52	2,914,380,674,509.39	20,057,923,911.18	8,624,091,817.71	189,648,000,000.00	3,132,710,690,238.28
STATES	26.72% FA	271,075,734,355.45	352,713,179,896.73	420,870,807,213.32	433,553,103,570.39	1,478,212,825,035.89	10,173,647,055.95	4,374,254,619.77	96,192,000,000.00	1,588,952,726,711.61
LGA'S	20.60 FA	208,988,028,732.13	271,927,077,315.60	324,473,751,070.15	334,251,269,968.19	1,139,640,127,086.07	7,843,455,439.83	3,372,366,959.85	74,160,000,000.00	1,225,015,949,485.75
DERIVATION	13% OF MR	135,496,934,444.48	134,738,426,139.97	141,807,653,215.00	183,981,154,223.25	596,024,168,022.70	4,906,334,929.47	-	-	600,930,502,952.17
TOTAL DISBURSEMENT		1,150,001,928,289.75	1,454,772,782,040.92	1,716,922,949,672.03	1,806,560,134,651.35	6,128,257,794,654.05	42,981,361,336.43	16,370,713,397.33	360,000,000,000.00	6,547,609,869,387.81

3.6 In addition, the sum of **N2,511,517,730,267.25** was realized as Value Added Tax (VAT) collection in the period under review out of which **N82,027,719,826.99** was given to FIRS/NCS as cost of collection and **N90,764,699,964.42** to North East Development Commission leaving a net balance of **N2,338,725,310,425.84** as shown on table 5 below.

Table 5: Value Added Tax (VAT) Disbursement in the Period January to December, 2022

VAT ITEMS	JAN-MARCH, 2022 (First Quarter)	APR-JUNE, 2022 (Second Quarter)	JULY-SEPT, 2022 (Third Quarter)	OCT-DEC, 2022 (Fourth Quarter)	GRAND TOTAL JAN-DEC, 2022
	(N)	(N)	(N)	(N)	(N)
VAT COLLECTION	588,598,831,832.04	600,151,615,332.29	625,388,374,528.62	697,378,908,574.30	2,511,517,730,267.25
Cost of Collection-FIRS & NCS (VAT)	(21,402,269,501.37)	(17,284,366,521.57)	(18,011,185,186.42)	(25,329,898,617.63)	(82,027,719,826.99)
3% VAT FOR NORTH EAST COMM	(19,093,330,127.71)	(24,006,064,613.29)	(25,015,534,931.14)	(22,649,770,292.28)	(90,764,699,964.42)
NET TOTAL	548,103,232,202.96	558,861,184,197.43	582,361,654,361.06	649,399,239,664.39	2,338,725,310,425.84

- 3.7 From the Net VAT sum of **N2,338,725,310,425.84**, FGN received **N350,808,796,563.88** as VAT **(15%)**, States Government **N1,169,362,655,212.92 (50%)** while Local Governments received **N818,553,858,649.04 (35%)** as indicated on table 6 below.
- 3.8 Also, the sum of **N146,588,693,871.99** Electronic Money Transfer Levy (EMTL) was shared in May, October, November and December, 2022 Federation Account. Statutory deduction of **N5,863,547,754.88** cost of collection was made from the amount leaving a net balance of **N140,725,146,117.11** distributed on table 6 below as follows: FGN received **N21,108,771,917.57 (15%)**, State Governments **N70,362,573,058.56 (50%)** while Local Governments received **N49,253,801,140.99 (35%)**.

Table 6: Summary of VAT AND EMTL Distribution to the three tiers for the period January to December, 2022

BENEFICIARIES	PERCENTAGE	VAT DISTRIBUTION	EMTL DISTRIBUTION
		(N)	(N)
FGN	15%	350,808,796,563.88	21,108,771,917.57
STATES	50%	1,169,362,655,212.92	70,362,573,058.56
LGA'S	35%	818,553,858,649.04	49,253,801,140.99
TOTAL		2,338,725,310,425.84	140,725,146,117.12

- 3.9 In terms of budget performance, MM&SD generated **163 %** of its budget in the period under review; FIRS (VAT) and EMTL did **103%** and **60%** respectively; FIRS Federation Account was **94%**; NUPRC performed **93%** while NCS performed **84%** of its budget. Note that the budget performance of NNPC could not be ascertained because the Corporation was yet to include

monthly budget approval in its reporting template to FAAC as indicated on table 7 below.

Table 7: Revenue performance of the Agencies in the Period January to December, 2022

AGENCIES	12 MONTHS BUDGET ESTIMATE	JAN-DEC. 2022 STATUTORY AND EXCHANGE GAINS TOTAL COLLECTIONS	VARIANCE	PERCENTAGE PERFORMANCE
	(N)	(N)	(N)	%
NNPC	-	329,285,067,174.90	329,285,067,174.90	N/A
FIRS	7,288,136,394,873.24	6,876,703,535,797.45	(411,432,859,075.79)	94
VAT (FIRS)	2,441,795,047,033.20	2,511,517,730,267.25	69,722,683,234.05	103
EMTL	210,819,469,760.04	125,669,325,241.09	(85,150,144,518.95)	60
NUPRC	2,720,623,986,739.08	2,537,263,595,885.79	(183,360,390,853.29)	93
NCS	2,018,939,543,769.96	1,686,971,982,303.34	(331,967,561,466.62)	84
MM&SD	6,944,149,092.00	11,292,232,941.92	4,348,083,849.92	163
TOTAL	14,687,258,591,267.50	14,078,703,469,611.70	(608,555,121,655.78)	96

4.0 Assessing the Impact of FAAC Post Mortem Sub-Committee on Outstanding Arrears of Revenue Inflows Due to the Federation Account in December, 2022.

4.1 For the Month of December, 2022, the PMSC will like to inform the Plenary that the total sum of **\$14,461,382.27** equivalent to **₦134,873,269,851.28** was recovered in favor of the Federation Account as outstanding arrears from several revenue items of collection and paid to the rightly designated accounts.

Table 8: Impact of FAAC PMSC On Revenue Inflows into Federation Account From Outstanding Arrears For The Month Of December, 2022

S/N	Detail	Receipts in USD (\$)	Exchange Rate N/\$	Amount in Naira (N)
i.	GS/09/019/2022 – NNPC CNL Arrears	12,882,293.80	432.78	5,575,199,110.76
ii.	NNPC/MISC Shell Nig. Exploration	1,579,088.47	432.78	683,397,908.05
iii.	FIRS/DSDP/Naira PPT July Arrears	0.00	-	47,213,192,073.99
iv.	NUPRC/DSDP/Naira Royalty July Arrears	0.00	-	81,412,480,758.48
	Sub-Total (December, 2022)	14,461,382.27		134,873,269,851.28

Source: FAAC PMSC Analysis, December, 2022

- 4.2 The Sub-Committee would like to inform Members that from January to December, 2022 the recoveries made stood at **₦1,755,209,876,522.25**. Details in Table 9 below:

Table 9: Impact of FAAC PMSC from January to December, 2022

S/N	Month	Monthly Amount (N)	Cumulative Total (N)
i.	January, 2022	26,720,058,058.89	26,720,058,058.89
ii.	February, 2022	88,969,689,985.09	115,689,748,043.98
iii.	March, 2022	182,256,194,980.37	297,945,943,024.35
iv.	April, 2022	30,131,578,321.69	328,077,521,346.04
v.	May, 2022	27,998,770,961.08	356,076,292,307.12
vi.	June, 2022	153,433,931,821.85	509,510,224,128.97
Vii	July, 2022	313,233,771,334.12	822,743,995,463.09
Viii	August, 2022	136,837,479,617.20	959,581,475,080.29
ix.	September, 2022	345,247,570,053.14	1,313,829,045,133.43
x.	October, 2022	33,591,383,493.68	1,347,420,428,627.11
xi.	November, 2022	272,916,178,043.86	1,620,336,606,670.97
xii.	December, 2022	134,873,269,851.28	1,755,209,876,522.25

Source: FAAC PMSC Analysis, December, 2022

5.0 NNPC VALUE SHORTFALL RECOVERY FROM FEDERATION ACCOUNT FOR THE MONTH OF DECEMBER, 2022

- 5.1 The NNPC Ltd deducted the sum of **₦134,197,347,755.17** as PMS value shortfall recovery for the month of December, 2022. This brings the cumulative deduction between January and December, 2022 to a total sum of **₦3,436,663,053,351.47**. Details are in Table 10 below:

Table 10: Summary of NNPC Ltd. Value Shortfall Recovery From Federation Account From January to December, 2022

S/N	Month	Monthly Shortfall Recovery 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
vi.	June, 2022	319,176,182,836.31	1,593,768,197,173.04
vii.	July, 2022	448,782,119,154.91	2,042,550,316,327.95
viii.	August, 2022	525,714,373,874.60	2,568,264,690,202.55
ix.	September, 2022	341,937,201,245.33	2,910,201,891,447.88
x.	October, 2022	239,411,566,949.40	3,149,613,458,399.28
xi.	November, 2022	152,852,247,197.02	3,302,465,705,596.30
xii.	December, 2022	134,197,347,755.17	3,436,663,053,351.47

Source: FAAC PMSC Analysis December, 2022

6.0 BALANCES IN SPECIAL RESERVE ACCOUNTS FOR THE MONTH OF DECEMBER, 2022

6.1 The balance in Special Reserve Accounts are given in Table 11 below:

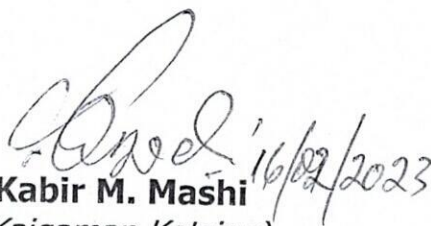
Table 11: Balances of Special Reserve Accounts as at 31st December, 2022

S/N	ITEM	AMOUNT
1	Stabilization Fund Account	₦ 21,013,803,865.12
2	Development of Natural Resources	₦ 70,259,053,720.79
3	Domestic Excess Crude Proceed	₦ 4,730,819,957.07
4	Solid Mineral Account	₦16,680,990,990.93
5	Oil Excess Revenue Account	₦ 67,990,026.62
6	Police Trust Fund Account	₦27,389,773,732.82
7	Non-oil Excess Revenue Account	₦ 445,000,000,000.00
8	Forex Equalization Account	₦ 148,447,935,020.19
9	Excess Crude/PPT Account	\$ 473,754.57

Source: FAAC And MMSD Report for December, 2022

9.0 Conclusion

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


Kabir M. Mashi
(Kaigaman Katsina)
Chairman, FAAC PMSC
16th February, 2023