

# **FAAC POSTMORTEM SUB-COMMITTEE**

## **REPORT OF THE FAAC POST MORTEM SUB-COMMITTEE MEETING FOR THE MONTH OF JULY, 2024**

### **1.0 PREAMBLE:**

- 1.1 The FAAC Post Mortem Sub-Committee (PMSC) meeting was held on Monday, 15<sup>th</sup> July, 2024 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 as well as representatives of the Revenue Generating and Accounting Agencies. 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**

#### **Update On \$599,813,170.02 NPDC Indebtedness to NUPRC/The Federation Account in respect of Forcados Assets OML 119, 60-63 Series:**

Recall that the Sub-Committee had reported at the last FAAC Plenary that out of the outstanding sum of **\$599,813,170.02** indebtedness of NPDC to NUPRC, the sum of **\$581,579,845.00** was received as payment on GVC Legacy debt out of which **\$21,563,800.00** was shared to the three tiers of government in 2022 while **\$499,388,524.92** was also shared in April, 2024. This brings the total amount disbursed to **\$520,952,324.92** leaving an outstanding balance of **\$18,233,325.02** unpaid as at May, 2024.

During the July, 2024 reconciliation meeting, NUPRC reported that no payment was received from the NPDC GVC outstanding balance of **\$18,233,325.02**. However, the unshared balance in the GVC Account as at June, 2024 FAAC meeting was **\$80,900,498.41** unshared.

### 3.0 NNPC EXCHANGE RATE DIFFERENTIALS ON PMS IMPORTATION AND OTHER JV TAXES FOR THE PERIOD AUGUST, 2023 TO APRIL, 2024

- 3.1 Following the removal of subsidy on PMS on 29<sup>th</sup> May 2023, NNPC made requisite pricing adjustments using an exchange rate benchmark of **N650 to 1 US Dollar** to arrive at retail coastal pump prices from June, 2023.
- 3.2 Furthermore, NNPC sought and obtained approval of His Excellency, Mr. President for the freezing of the Proforma Invoice (PFI) Ex-coastal transfer price at N524.99 from August, 2023 to March 31<sup>st</sup> 2024, using exchange rate modulation to sustain the supply of petroleum products and ensure National Energy Security.
- 3.3 NNPC equally reported that the Company had obtained another approval to extend the use of the weighted Average Rate from April to June, 2024 though the Sub-Committee is yet to sight the document. As at June 2024, NNPC reported that the outstanding against the Federation in-respect of exchange rate differential amounted to **\$4,344,519,176,167.32** as indicated in **Table 1** below.

**Table 1: Exchange Rate Differentials**

Lifting/Period	Exchange Rate Differential Due	Exchange Rate Differential Recovered	Cumulative outstanding
	N	N	N
Bal. B/F	1,186,540,693,485.36		1,186,540,693,485.36
Aug-23	52,733,901,096.10		1,239,274,594,581.46
Sep-23	57,584,535,828.24		1,296,859,130,409.70
Oct-23	212,232,474,403.46		1,509,091,604,813.16
Nov-23	553,962,853,233.58	89,019,665,563.63	1,974,034,792,483.11
Dec-23	592,097,542,940.56	53,546,933,222.28	2,512,585,402,201.39
Jan-24	891,525,823,248.05	360,330,910,287.17	3,043,780,315,162.27
Feb-24	476,861,074,152.56	374,857,387,801.74	3,145,784,001,513.09
Mar-24	429,352,509,471.83	173,829,790,972.83	3,401,306,720,012.09
Apr-24	688,664,477,996.68	214,999,512,795.57	3,874,971,685,213.20
May-24	469,547,490,954.11	0.00	4,344,519,176,167.31
Total	<b>5,611,103,376,810.53</b>	<b>1,266,584,200,643.22</b>	<b>4,344,519,176,167.31</b>

- 3.4 The Sub-Committee also observed from NNPC June, 2024 report to FAAC that the weighted average exchange rate for the month was



**N1,200** which they said was estimated rate as against the **N650** that was sought for in the NEC extract.

3.5 It was also observed from the analysis in table 1 as contained in NNPC report that the volume, price and sales value was not provided to justify the exchange rate differential recorded.

3.6 NNPC responded that additional information could be provided to the Sub-Committee to clarify the issues raised but based on request. The Chairman of the Commission who chaired the meeting agreed to write NNPC requesting for the relevant information to resolve the issue.

#### **4.0 REVIEW OF COST OF COLLECTION PAID TO AGENCIES**

4.1 Members may recall that during the April, 2024 FAAC Plenary meeting, the Sub-Committee was mandated to review the cost of collection given to the revenue generating agencies. This was as a result of the concern raised by the Sub-Nationals that the amount being received by the agencies as cost of collection on monthly basis was on the high side.

4.2 Last month, the Sub-Committee reported its engagements with Federal Inland Revenue Service (FIRS) and the Nigerian Customs Service (NCS) to discuss the issue. The Sub-Committee is seriously working on the issue and will report back next month.

#### **5.0 NNPC PROJECT GAZELLE FUNDING ESCROW ACCOUNT**

5.1 Recall that the Sub-Committee had reported that Production Sharing Contract (PSC) Tax and Royalty sales proceeds were transferred to an escrow account called **Gazelle** Funding account. NNPC representative explained that deduction relates to the Federal Government arrangement of a foreign loan of about **\$3.3 billion** through a Special Purpose Vehicle called Project Gazelle Funding. So far, the sum of **\$421,537,933.97**

FIRS PSC/PPT sales and **\$414,877,416.31** NUPRC PSC/Royalty sales for the months of April and May, 2014 was transferred to the Project Gazelle Escrow Account.

The CBN representative explained that the amount in the escrow account is safe and would be disbursed as soon as it matured.

- 5.2 The Sub-Committee noted the explanation and agreed that the Sub-Nationals should be informed on the payment arrangement to avoid speculations. The Sub-Committee await NNPC response on this issue.

## **6.0 DEDUCTION FOR ROAD INFRASTRUCTURE TAX CREDIT SCHEME**

- 6.1 Members discovered that NNPC deductions in respect of Road Infrastructure Tax Credit Scheme from the amount due to FIRS JV Gas and CIT taxes. So far, a calenderized sum of **\$52,509,484.28** was deducted each for the months of February, March, April and May, 2024 totaling **\$210,037,937.12** as shown in the **table 2** below:

**Table 2: Tax Credit Deductions**

S/N	Month	NNPC Ltd. Monthly Calenderized JV Gas CIT Utilised for RITCS in USD (\$)	Cumulative Total in USD (\$)
i.	February, 2024	52,509,484.28	52,509,484.28
ii.	March, 2024	52,509,484.28	105,018,968.56
iii.	April, 2024	52,509,484.28	157,528,452.84
iv.	May, 2024	52,509,484.28	210,037,937.12

- 6.2 Members deliberated on it and resolved that it was against the provisions of the Constitution of the Federal Republic of Nigeria. Also no amount was fixed as the total tax credit and the expiration date
- 6.3 The Sub-National position was that it is the responsibility of the Federal Government to construct roads hence, the share of the Sub-National from the **\$210,037,937.12** deducted should be computed based on the existing Revenue Allocation Sharing Formulae and refunded to them.



6.4 Concluding, members agreed that FIRS should give detailed Tax Credit granted to NNPC Ltd and other organization.

## **7.0 UPDATE ON REVIEW OF THE TRANSACTIONS IN THE AMOUNT OF N3.2 TRILLION FGN TREASURY CRUDE ACCOUNT NO. 200054141287 WITH THE CENTRAL BANK OF NIGERIA (CBN)**

7.1 The CBN representative informed the meeting that they had concluded reconciliation and observed that no amount was withheld from the account rather the transactions were mostly reversals. The Sub-Committee requested the CBN to provide the reconciliation report and bank statements to substantiate the claim.

## **8.0 UNSHARED ELECTRONIC MONEY TRANSFER LEVY (EMTL) AS AT MAY, 2024**

8.1 Members may recall that in the month of May, 2024 FAAC Plenary meeting, the Sub-Committee reported an unshared revenue balance of **N13,953,481,584.17** as opening and closing balance in the EMTL ledger (as shown in table3). The FAAC Postmortem recommended that the amount be shared two months ago. However, FIRS said that there was no balance in the account but the FAAC files shows that the amount is there unshared. The OAGF had promised to examine the account and revert.

**Table 3: Summary of OAGF Ledger on Electronic Money Transfer Levy (EMTL) for the Period, January to May, 2024**

S/ N	Month	Detail	CBN Receipt (N)	Payment (N)	Cumulative Balance due (N)
i.	January, 2024	Inflow/(Outflow)	16,585,117,476.98	(16,585,117,476.98)	13,953,481,584.17
ii.	February, 2024	Inflow/(Outflow)	15,788,312,054.60	(15,788,312,054.60)	13,953,481,584.12
iii.	March, 2024	Inflow/(Outflow)	15,369,495,789.06	(15,369,495,789.06)	13,953,481,584.12
iv.	April, 2024	Inflow/(Outflow)	18,774,893,688.18	(18,774,893,688.18)	13,953,481,584.12
v.	May, 2024	Inflow/(Outflow)	15,777,221,983.99	(15,777,221,983.99)	13,953,481,584.12

## 9.0 PERFORMANCE OF THE REVENUE GENERATING AGENCIES COLLECTIONS/TRANSFERS TO THE CBN COMPONENT STATEMENT IN MAY, 2024 FEDERATION ACCOUNT

9.1 The contributions of the Revenue Generating Agencies to the CBN Federation Account Component Statement for the month of May, 2024 are presented in **Table 4** as follows:

**Table 4: Summary of the Performance of the Agencies in the month of May, 2024**

S/N	Revenue Department	Amount of Revenue Collectors Inflow into CBN Component Statement (N)	Percentage Performance (%)
i.	NNPC Ltd.	5,521,728,945.12	0.30
ii.	NUPRC/MPR	486,529,422,762.60	26.86
iii.	FIRS	1,057,972,096,390.73	58.41
iv.	NCS	261,327,470,521.71	14.43
	<b>Total</b>	<b>1,811,350,718,620.16</b>	<b>100.00</b>

Source: FAAC PMSC Analysis June, 2024

9.2 The sum of **N1,754,796,569.39** was collected by the FMSMD in the month of May, 2024 Federation Account while the balance in the Solid Mineral Account as at April, 2024 stand at **N21,102,142,373.24**

## 10.0 ASSESSING THE IMPACT OF THE FAAC PMSC ON OUTSTANDING ARREARS OF REVENUE INFLOWS DUE TO THE FEDERATION ACCOUNT IN MAY, 2024

10.1 For the Month of May, 2024 Federation Account, the PMSC will like to inform the Plenary that as a result of reconciliation with Revenue Generating Agencies, a total sum of **\$64,073,123.40** equivalent to **N94,964,537,885.84** was reconciled and confirmed paid to the CBN designated accounts as detailed in **Table 5** below:

**Table 5: Impact PMSC on Revenue into the Federation Account from Outstanding Arrears for the Month of May, 2024**

S/N	Detail	Amount in USD (\$)	Exchange Rate (N/\$)	Amount in Naira Equivalent due (N)
i.	NEPL/NUPRC 257,000 barrels of Royalty amounting \$2,081,860 February, 2024 FA – Arrears	20,811,860.00	1,482.482	30,853,207,836.52
ii.	NNPC Ltd. FIRS PSC PPT March, 2024 FA Arrears	42,613,456.84	1,482.482	63,173,682,723.08
iii.	NNPC Ltd. NLNG Receipt January, 2024 NNPC Ltd. NLNG Receipt February, 2024	229,319.20 418,487.36	1,482.482 1,429.205	339,961,586.25 597,685,739.99
	<b>Total</b>	<b>64,073,123.40</b>		<b>94,964,537,885.84</b>

Source: FAAC PMSC Analysis, June, 2024



- 10.2 The cumulative outstanding arrears reconciled and paid to the Federation Account from January to May, 2024 stood at **N537,353,864,835.67**. Details in **Table 6** below:

**Table 6: Summary of outcome of Reconciliation with the RGA Cumulative Payment to the Federation Account from Reconciled Outstanding Arrears from January to May, 2024**

S/N	Month	Monthly Total CBN Revenue Collectors Inflow to the Federation Account (N)	Cumulative Total (N)
i.	January, 2024	106,455,313,989.35	106,455,313,989.35
ii.	February, 2024	125,946,449,877.83	232,401,763,867.18
iii.	March, 2024	83,159,925,627.53	315,561,689,494.71
iv.	April, 2024	126,827,637,455.12	442,389,326,949.83
v.	May, 2024	94,964,537,885.84	<b>537,353,864,835.67</b>

Source: FAAC PMSC

## 11.0 OUTSTANDING FEDERATION ACCOUNT REVENUE ARISING FROM THE INTER-AGENCIES RECONCILIATION MEETING HELD IN JUNE, 2024

- 11.1 The total unresolved amount due to the Federation Account from the reconciliation meeting held with the Revenue Generating Agencies in June, 2024 was **\$165,067,714.53** and **N3,917,340,180,696.84** as shown in **Table 7** below.

**Table 7: Summary of Unresolved/Undergoing Reconciliation Federation Account Revenue as at June, 2024**

AGENCY	DOLLAR (\$)	NAIRA (N)
NNPCL		940,620,250,860.81
NUPRC/NNPCL	23,812,314.74	1,937,751,372,137.16
FIRS/NNPCL	141,255,399.79	1,038,919,807,698.87
FMSMD/CBN	-	48,750,000.00
<b>TOTAL</b>	<b>165,067,714.53</b>	<b>3,917,340,180,696.84</b>

Source: FAAC PMSC

- 11.2 Members should note that these outstanding amounts are still being reconciled at the monthly reconciliation meetings between the Agencies and the Sub-Committee. Furthermore, the sum of **\$180,230,895.02** and **N2,535,352,533,190.87** outstanding payments from the Revenue Generating Agencies before June, 2023, were referred to the Stakeholders Alignment Committee and the Sub-Committee awaits the outcome of the reconciliation soonest.

- 11.3 The Sub-Committee is working with the Revenue Generating Agencies to ensure that the above outstanding amounts are paid to the Federation Account as soon as possible.

## 12.0 UPDATE ON BALANCES IN SPECIAL RESERVE ACCOUNTS

- 12.1 The balances in the Special Reserve Accounts as at 31<sup>st</sup> May, 2024 are shown in **Table 8** below:

**Table 8: Summary of Balances in the Special Accounts as at 31<sup>st</sup> May, 2024**

S/ N	ITEM	AMOUNT (₦)	AMOUNT (\$)
A.	Stabilization Fund Account	48,722,222,380.56	
B.	Development of Natural Resources	78,388,123,672.75	
C.	Domestic Excess Crude Proceed	6,423,761,795.07	
D.	Solid Mineral Account	21,102,142,373.24	
E.	Oil Excess Revenue Account	67,990,026.62	
F.	Police Trust Fund Account	27,389,773,732.83	
G.	Non-oil Excess Revenue Account	595,867,395,576.30	
H.	Forex Equalization Account	18,500,744,903.02	
I.	EMTL Account	13,953,481,584.12	
J.	Exchange Gain Account	80,230,572,340.52	
K.	Special Intervention for Nigerian Military	100,000,000,000.00	
L.	Good and Valuable Consideration Account	0.00	80,900,498.41
M.	Excess Crude/PPT and Royalty Account		473,754.57
N.	ECA Refund ledger & Signature Bonus Account	502,745,632,644.81	
O.	Intervention to States Infrastructure & Security	119,000,000,000.00	
P.	Ledger of 13% Derivation Refund on Withdrawal from Signature Bonus:	200,000,000,000.00	
Q.	Ledger of 13% Derivation Refund on Withdrawal from ECA	350,000,000,000.00	
R.	Ledger of Refund due to States from the net off with States from the withdrawals made from ECA	200,000,000,000.00	
S.	Ledger of 13% Derivation Refund on JVC and DECA	450,000,000,000.00	
T.	Ledger of Funding for Presidential Metering Initiative	220,000,000,000.00	

Source: OAGF/FAAC/MMSD Record, May, 2024

## 13.0 Conclusion

- 13.1 I thank the Chairman and Members for your attention.

**M. B. Shehu, OFR**

Chairman, Revenue Mobilization, Allocation and Fiscal Commission  
July, 2024