



FEDERAL REPUBLIC OF NIGERIA
THE SENATE
COMMITTEE ON CUSTOMS, EXCISE &
TARIFF

REPORT OF THE 2016 BUDGET OF THE
NIGERIAN CUSTOMS SERVICE

REPORT OF THE 2016 BUDGET OF THE NIGERIA CUSTOMS SERVICE

(NCS)

- 1. INTRODUCTION:** The Senate at its Sitting on Thursday, 21st July, 2016 considered the request of Mr. President, Commander-in-Chief of the Armed Forces of the Federation on the 2016 Budget of the Nigeria Customs Service and referred same to the Committee on Customs, Excise and Tariffs for further legislative action.
- 2. BACKGROUND:** Mr. President, Distinguished Colleagues, the Nigeria Customs Service (NCS) is responsible for collecting Customs and Excise duties and other charges on International Trade. Other charges applicable are:
 - 7% Port Development Surcharge Authority
 - 2% National Automotive Council (NAC)
 - 50% Rice Levy for Ministry of Agriculture
 - 100% Cigarette Levy
 - 5% Sugar Levy
 - 1% for Comprehensive Import Supervision Scheme
 - 0.5% for National Export Supervision Scheme

It is the major agency responsible for implementation and enforcement of Government trade and fiscal policies, as well as international obligations applied on international commerce, including the management of industrial incentives for economic development.

Nigeria Customs Service support economic development and competitiveness, and encourages foreign direct investment through the promotion of trade facilitation and also controls all cargo entering, exiting or transiting through national territory.

The funding of Nigeria Customs Service (NCS) is from 7% Cost of Collection. This is for capital and recurrent expenditures.

In tandem with legislative compliance, Mr. President and Commander-in-Chief of the Armed Forces of the Federation forwarded the budget proposal of the Nigeria Customs Service to the National Assembly for consideration and approval. In the course of further legislative action as directed by the Senate of the Federal Republic of Nigeria, the Senate Committee on Customs, Excise and Tariff on Tuesday, October 4, 2016 invited the Comptroller-General and his Management team to appear before the Committee to defend the budget proposal.

3. A REVIEW OF 2015 BUDGET PERFORMANCE:

The National Assembly through its Joint Committee approved the sum of Eighty-One billion, One hundred and seventy-one million and thirty-seven thousand naira only (**₦81,171,037,000.00**) as available funds for the Nigeria Customs Service in the 2015 Budget.

The breakdown of the 2015 Approved Budget is as follows:

1. Personnel - **₦ 40,166,546,446.71**
2. Overhead - **₦ 16,698,848,072.06**
3. Capital - **₦ 24,305,642,481.23**
- **₦ 81,171,037,000.00**

4. SUMMARY OF 2015 BUDGET PERFORMANCE:

S/N	Description	2015 Approved Budget	2015 Budget Performance	Percent (%)
1.	Personnel	₦ 40,166,546,446.71	₦ 38.33 Bn	90.50
2.	Overhead	₦ 16,698,848,072.06	₦ 11.68 Bn	70.58

3.	Capital	₦ 24,305,642,481.23	₦ 13.60 Bn	58.33
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5. 2016 REVENUE PROJECTION FOR THE NIGERIA CUSTOMS SERVICE:

DETAILS	2016 REVENUE TARGET
Federation Account	₦ 708,723,000,000.00
Non-Federation Account	₦ 208,610,000,000.00
Total Customs & Excise Revenue	₦ 917,333,000,000.00

A total of Nine hundred and seventeen billion, three hundred and thirty-three million naira only is the projected revenue from the Nigeria Customs Service for the budgetary year 2016.

6. 2016 BUDGET FRAMEWORK OF THE NIGERIA CUSTOMS SERVICE:

7% Cost of Collection for 2016 (₦917,333,000,000.00)	₦ 64,213,310,000.00
Intervention Fund from CISS Account	₦ 17,000,000,000.00
Total	₦ 81,213,310,000.00

The total projected fund available for the Nigeria Customs Service Budget 2016 is Eighty-one billion, two hundred and thirteen million three hundred and ten thousand naira only (**₦81,213,310,000.00**) comprising of 7% Cost of Collection which amounts to Sixty-four billion, two hundred and thirteen million, three hundred and ten thousand naira only (**₦64,213,310,000.00**) plus the Intervention Fund from the Comprehensive Import Supervision Scheme (CISS) which amount to Seventeen billion naira only (**₦17,000,000,000.00**).

7. SUMMARY OF PROPOSED EXPENDITURE OF THE NIGERIA CUSTOMS SERVICE FOR THE YEAR 2016:

- | | | | |
|----|-----------------|---|--------------------------------|
| 1. | Total Personnel | - | N 44,886,816,878 |
| 2. | Total Overhead | - | N 14,406,816,127 |
| 3. | Total Capital | - | <u>N 21,919,676,995</u> |
| | | - | <u>N 81,213,310,000</u> |

8. OBSERVATIONS: The Committee made the following observations:

1. That none of the aircraft that belongs to Nigeria Customs Service is equipped with surveillance equipment and they have not flown since January 2016 to date, for this reason there is no need to spend huge amount on it in the remaining 32 days of the year 2016. Prudence requires that this expense be moved to the year 2017 where proper negotiation and needs assessment be captured in proposing a new budget.
2. That Nigeria Customs Service suspended Pre-shipment Inspection agents in violation of Section 4 of the Pre-shipment Inspection Act, Cap P26 LFN 2004. The Service has been carrying out the job of inspection. This is not very good as the service cannot be the judge and the jury. Since the scanners are not the property of the Nigerians Customs Service, there is no need to budget huge sums for maintenance of scanners.
3. That the sum of over three billion naira (**N3,025,167,200.00**) was provided for Training and the Committee noted that no training has been carried out as of today.

4. There are provisions for Technical Consultancy Services in the sum of **₦2,100,000,000.00** and Technical Support & Maintenance of scanners including consumables in the sum of **₦502,499,000.00** which cannot be supported given that the scanners are not owned by Nigeria Customs Service and currently not working.
5. That the Headquarters building of the Service has remained uncompleted after a lot of resources has gone into it. It is expedient to establish the absolute cost required to complete the project, with a phased implementation plan that will be included in the 2017 Budget.
6. The Service lacks high technology & surveillance equipment and ammunitions to combat increasing smuggling activities at our very expansive land borders.
7. The Service must conceive a holistic plan for an efficient and effective monitoring of our countries borders.
8. That the total Personnel costs are for salary; wages; allowances. Based on available information the officers and men of the Service are poorly motivated in terms of salaries and wages.
9. That the Capital cost estimates proposed include on-going projects in various commands and stations. These projects include the work already executed at the on-going Corporate Headquarters in Maitama-Abuja, provision of residential accommodation for officers and men, purchase of sea going vessels and other anti-smuggling equipment; construction of new offices nationwide; ICT projects etc.

9. ACTIONS TAKEN BY THE COMMITTEE:

1. The sum of ₦2.5 bn proposed as Group Life Insurance had been moved to Capital Expenditure in line with the Federal Government financial guidelines and in accordance with the Public Procurement Act, 2007.
2. The sum of ₦3.6 bn proposed for Training was not sustained by the Committee due to lack of time for utilization and this vote should be returned to the 7% cost of collection account.
3. The Committee made a savings of ₦11.3bn which the Service could not come up with further reasonable proposal that could have been accommodated by this savings. Therefore, the money should be returned to the 7% cost of collection account.

10. RECOMMENDATIONS:

The Committee hereby recommends that:

1. From historical records, the 2014 NCS Revenue Projection stood at **₦1,255,560,000,000.00** at which time the exchange rate was **₦158 to \$1** and amounted to **\$7,946,582,278.48**.

In 2015 the Nigerian Customs Service Revenue Projection stood at **₦916,730,000,000** at which time the exchange rate was **₦197 to \$1** and amounted to **\$ 4,653,451,776.65**.

It is only logical that the NCS revenue projection for 2016 should at the minimum seek to match the 2015 USD values. Given the current exchange rate regime of **₦281 to \$1** as approved by the Central Bank of Nigeria, the 2016 revenue projection should target **₦1,308,480,065,989.85** in Naira terms being the equivalent of **\$ 4,653,451,776.65**.

The earning potential of the Nigerian Customs Service is primarily denominated in US dollars and is only converted to Naira at the point of clearance of goods subject to the prevailing exchange rate.

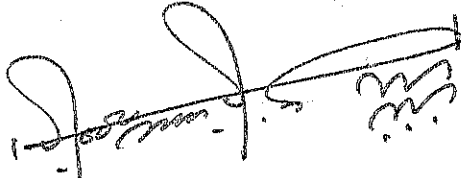
In view of the above, the Committee hereby recommends that the sum of **One trillion, three hundred and eight billion, four hundred and eighty million, sixty-five thousand, nine hundred and eighty-nine Naira, eighty-five kobo (N1,308,480,065,989.85)** be approved as the projected revenue target for Nigerian Customs Service for the year 2016.

2. That the 7% Cost of Collection of **Ninety-One billion, five hundred and ninety-three million, six hundred and four thousand, six hundred and nineteen naira, twenty-nine kobo only (N91,593,604,619.29)** based on the new projected revenue available to the Service be approved for the Nigeria Customs Service;
3. That the Intervention Fund from the Comprehensive Import Supervision Scheme (CISS) should be approved for the Nigeria Customs Service based on exigent needs which should be tied to specific projects;
4. The total Personnel Cost of **forty-two billion, three hundred and eighty-six million eight hundred and sixteen thousand, nine hundred and nineteen naira only (N42,386,816,919.00)** be approved for the Nigeria Customs Service;

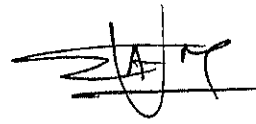
5. The total Overhead Cost of **seven billion two hundred and seventy-five million, five hundred and sixty-two thousand four hundred and forty-one naira only (₦7,275,562,441.00)** be approved for the Nigeria Customs Service;
6. The total Capital of **twenty billion four million, two hundred and forty-seven thousand four hundred and thirty-seven naira only (₦20,004,247,437.00)** be approved for the Nigeria Customs Service;
7. The total budget of **sixty-nine billion eight hundred and forty-seven million, seven hundred and twenty-six thousand seven hundred and fifty-six naira only (₦69,847,726,756.00)** be approved for Nigeria Customs Service in the year 2016.
8. That the differential amounting to **(₦21,745,877,863.29)** that arose from the difference between the 2016 recommended target **(₦91,593,604,619.29)**, and the approved total budget **(₦69,847,726,756.00)**, if realized should be retained in statutory account of the service with the Central Bank of Nigeria.

Attached is the detail of the budget 2016 of the Nigeria Customs Service.

CONCLUSION: The Committee hereby thanks the Leadership and Colleagues in the Senate for the opportunity given to serve in this capacity.



SEN. HOPE O. UZODIMMA
Chairman



VICTOR EFIONG
Committee Clerk

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