

Chart of Accounts for Government of Kiribati

Introduction

The Chart of Accounts (COA) is a critical element of the PFM framework for classifying, recording and reporting information on financial plans, transactions and events in a systematic and consistent way¹.

The COA is not only concerned with classifying and recording of financial transactions, but is also critical for effective budget management, including tracking and reporting on budget execution. Thus, the budget classification and the COA have a symbiotic relationship. Hence, while designing the COA the recording and reporting (MIS) requirements of the government need to be kept in mind along with the various accounting standards so that it can have a long-lasting impact on the ability of the IFMIS. Therefore, the design of the COA must be planned well to take care of current management needs and potential future requirements so that it can provide required financial information for key decisions. At the same time, the COA should be capable of modifications to respond to changes such as reorganization of government and changing needs. This is particularly important in the context of IFMIS.

Design Approach

In any modern IFMIS, Chart of Accounts (COA) can have multiple segments and combination of various segments can be created. This enables booking of transactions under only those COA segment combinations, which are valid i.e., has been created. This helps in restricting transactions in wrong COA segment combinations.

Keeping this in mind, the design of the COA was started from the top level i.e., Ministry, then the divisions and units under the ministry followed by Project Code (for development expenditure and revenue) and then transaction type and Natural Account Code (NAC) etc.

This approach for designing the COA helps in narrowing down the valid COA segments at the time of voucher entry and chances of committing mistakes will be reduced to a large extent. For example, if the user chooses a particular Ministry Code, only valid divisions and units under that Ministry will be shown in the next segment. Similarly, once the user selects a divisions or unit under the ministry, only the valid NAC and their corresponding Project Codes will be shown in the next segment. Hence the user will be able to choose only valid COA combinations.

Proposed Structure of COA

Given the requirements of Government of Kiribati, the following segments of COA is adopted in chronological order:

1. **Organization-** Identifies the organisational unit (Ministry/ Commission/ Division) responsible for a transaction. This will have two levels:
 - i. **Head (Ministry/ Commission)- 2 digit numeric**
 - ii. **Sub Head (Division)- 2 digit numeric**
2. **Fund-** Identifies the fund in which a transaction is recorded. This segment captures the source of fund i.e. whether it is for Consolidated Fund or Development Fund or

¹ Chart of Accounts: A Critical Element of the Public Financial Management Framework Prepared by Julie Cooper and Sailendra Pattanayak, IMF

Contingency Fund or Special Fund; whether it is Appropriation or Statutory funding and also identifies whether the Government, a foreign grant or a foreign loan funds the transaction. - 4 digit numeric (Codes starting with 1-2 are for Consolidated Fund, 3-4 are for Development Fund, 5-6 for Contingency Fund and 7-8 are for Special Fund.)

3. **Program/ Project classification-** Identifies the project to which it relates. It has two numeric **(01-99) which represents the year where 01 represents 2001 and 02 represents 2002 and so on** followed by three digit running numeric codes **(001-999)** for each year. Hence, each year's project (including the existing projects) will start with two numeric codes like 10 for projects of 2010, 11 for projects of 2011-2020, 21 for projects relating to 2021, 22 for projects relating to 2022 and so on. That way each year 999 new projects codes can be accommodated- 5 digit numeric.
4. **Location or geographic classification-** Identifies the location to which a transaction should be attributed. Code starting with 1 to 4 are for Gilbert Islands, 5 for Line and Phoenix Islands, 6 to 8 are for Overseas Locations and 9 for National- 2 digit numeric.
5. **Natural Account Code (NAC)-** Government of Kiribati has adopted Government Financial Statistics (GFS) classification in the new COA. The GFS codes has been built-in in the NAC and includes- Transaction type (i.e., Revenue, Expenditure, Assets, Liabilities etc. as per GFS) and further details as required to accommodate more details for accounting and generating internal MIS and reports. Revenue NACs start with 1; Expenditure NACs start with 2; Assets NACs start with 61, 62;; and Liabilities NACs start with 63 as per GFS. - 6 digit numeric (first 4 digit for GFS codes and 2 additional char to accommodate further details for accounting and generating internal MIS and reports. In some cases, like assets and liabilities first 5 digits are for GFS and 1 additional char. to accommodate further details).
6. **Classification of Functions of Government (COFOG²)-** Identifies the function to which a transaction relates. COFOG applies only to expense transactions. Function is based on organisation codes, operational codes and certain economic codes- 3 digit numeric

Hence the new COA has six (6) segments and is 24 char. long.

Summary of the COA segments are given below:

6 Levels	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6
23 numeric characters	Organization (Head and Sub Head) XXXX (4 numeric character)	Fund XXXX (4 numeric character)	Program/ Project classification XXXXX (5 numeric characters)	Location XX (2 numeric characters)	Natural Account Code XXXXXX (6 numeric characters)	COFOG Code XXX (3 numeric characters)
Description	Identifies the organisational unit (Ministry/ Commission/ Division)	Captures the source of fund	Identifies the project.	Identifies the location to which a transaction	Includes the Government Financial Statistics (GFS) classification,	Identifies the function to which a transaction

² Based on the Classification of Functions of Government (COFOG) issued by the Department of Economic and Social Affairs, Statistics Division, of the United Nations.

6 Levels	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6
23 numeric characters	Organization (Head and Sub Head)	Fund	Program/ Project classification	Location	Natural Account Code	COFOG Code
	xxxx (4 numeric character)	xxxx (4 numeric character)	xxxxx (5 numeric characters)	xx (2 numeric characters)	xxxxxx (6 numeric characters)	xxx (3 numeric characters)
	responsible for a transaction			should be attributed.	Transaction type (i.e. Revenue, Expenditure, Assets, Liabilities etc. as per GFS) and further details as may be required to accommodate further details for accounting and generating internal MIS and reports.	relates as per COFOG
Examples	Public Service Office (xx). Administration (xx)	Consolidated Fund (Appropriation) (x). Foreign Grant(x). ADB (xx)	10 for projects of 2010, 11 for projects of 2011-2020, 21 for projects relating to 2021, 22 for projects relating to 2022 and so on	Code starting with 1 to 4 are for Gilbert Islands, 5 for Line and Phoenix Islands, 6 to 8 are for Overseas Locations and 9 for National	First 4 digit for GFS codes and 2 additional char to accommodate further details. In some cases, like assets and liabilities first 5 digits are for GFS and 1 additional char. to accommodate further details	General public services (xx). Public debt transactions (x)
Remarks	This will have two levels: Ministry- 2 digit numeric Division- 2 digit numeric Can accommodate upto 99.99 values	Can accommodate upto 9.9.99 values	It will have two numeric (01-99) followed by three digit running numeric codes (001-999) for each year.	Can accommodate upto 99 values	Revenue NACs start with 1; Expenditure NACs start with 2; Assets NACs start with 61, 62, 31, 32, 41 and 51; and Liabilities NACs start with 63 and 33 as per GFS.-	COFOG applies only to expense transactions For other transactions COFOG will be 000.

6 Levels	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Segment 6
23 numeric characters	Organization (Head and Sub Head)	Fund	Program/ Project classification	Location	Natural Account Code	COFOG Code
	XXXX	XXXX	XXXXX	XX	XXXXXX	XXX
	(4 numeric character)	(4 numeric character)	(5 numeric characters)	(2 numeric characters)	(6 numeric characters)	(3 numeric characters)
					Enough blank space kept for future requirement	

Advantages

1. **The user is not required to remember the valid COA combinations.** They will select the codes from dropdown menu for each segment that will be provided in IFMIS. After selection of each segment, IFMIS will show only the valid combinations for the next segment. Hence the users will have to select from among the available valid combinations only and need not worry whether a COA combination is valid or not. Further, users can search for a COA value with text search also.
2. **The COA is scalable.** It can accommodate future requirements of more codes under a particular segment; enough space has been provided under each segment for future use. New valid segment combinations can be created as and when required in future. Also, if the IFMIS provides the feature, new segments can be added or existing segments can be modified in future.
3. **The COA is robust.** It will support generation of Financial Reports at GOK level, Ministry level, Department level, Treasury level, project level. Further it will generate reports for each government function (as per COFOG), for each donor and as per GFS. The COA will support generation of report for most of the combinations of the above mentioned criteria e.g. report on funding provided by a donor for a particular function (COFOG) or a particular project or a particular fund like Consolidated Fund or Development Fund.
4. **The COA will be easy to maintain.** The COA will be maintained centrally in IFMIS by the Custodian of COA who will only have the access to add, modify, enable or disable a COA code or segment combinations. Hence, situations like multiple codes for same segment value or different nomenclature for same segment code will not arise. If a user needs a new COA code or a new segment combination, she/ he will approach the Custodian of COA. On receiving such a request, the Custodian of COA will create the new codes and segment combinations in IFMIS and inform the user. Thereafter the user will be able to make transaction in the new COA combination. Hence only valid combinations will be available in IFMIS. Further, the Custodian of COA will be able to enable or disable a particular COA code or segment combination as and when required.