



Fiscal Reporting Policy

Ministry of Finance & Economic Development



FISCAL REPORTING POLICY

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GOVERNMENT OF KIRIBATI - FISCAL REPORTING POLICY

1.0 INTRODUCTION

- 1.1 Government is committed to maintaining fiscal stability and continuing to implement reforms that will increase transparency and accountability in the use and management of public resources.
- 1.2 The Fiscal Reporting Policy (FRP) outlines a framework for measuring how functions within Government are being strengthened to improve fiscal reporting practices in line with international best practice.
- 1.3 The policy will allow our people to better understand Government finances and be able to contribute to decisions that will contribute to more prudent use of resources to achieve the outcomes envisaged in the Kiribati Vision for 20 years (KV20) and the Kiribati Development Plan (KDP) 2020-2023

2.0 POLICY STATEMENT

- 2.1 The Policy is an active demonstration of Government's efforts to discharge its fiscal responsibilities as stated under Section 14 of the *Public Finance (Control and Audit) Ordinance of 1976 (CAP 79)* which stipulates that the Minister for Finance, must at all times "... *effectively manage public resources and provide a full account of its use to the Parliament each year.*" The Policy institutes financial reporting processes that enable Government to achieve this requirement, thereby providing citizens, development partners, and other interested parties a means of measuring performance and progress towards development objectives.

3.0 POLICY OBJECTIVE

- 3.1 The Policy aims to achieve the following objectives:
 - (i) Outline the standard processes and timelines for relevant Government agencies to prepare and present financial reports to authorized officials and agencies;
 - (ii) Align government financial reporting in Kiribati with international standards and best practice;
 - (iii) Provide a well-sequenced pathway for integrating Government's financial reporting requirements into ongoing financial management reform initiatives, including the rollout of the new Integrated Financial Management Information System (IFMIS);
 - (iv) Improve the transparency of public financial management thereby enabling and encouraging performance measurement of financial decision-making processes within Government.

- (v) Provide the foundational elements for framing new fiscal transparency regulations and rules in Kiribati.

4.0 FISCAL REPORTING POLICY – AN ESSENTIAL TOOL FOR PROMOTING FISCAL TRANSPARENCY

4.1 Transparency is a critical element of effective fiscal management and can positively impact the lives of ordinary citizens and key stakeholders including the private sector, outer island communities, and other domestic and external partners.

5.0 FISCAL REPORTING PRINCIPLES

5.1 Financial reporting under this Policy will be guided by the following internationally recognized principles:

- **Clarity:** fiscal reports should be written in such a manner as to be easily understood by users of the reports (target audience).
- **Accuracy:** reports must be as accurate as possible. Where estimates are used and assumptions relied upon, these should be stated clearly on the face of the report.
- **Reliability:** fiscal reporting must be consistent over time and between entities.
- **Frequency (or periodicity):** the frequency with which reports are published or presented to Cabinet/Parliament is aligned with efforts to improve internal reconciliation processes.
- **Timeliness:** timely reporting is essential for promoting responsive and timely policy interventions.
- **Relevance:** fiscal reports should always provide users (legislatures, citizens, and markets) with relevant information for effective decision making.
- **Coverage:** coverage of fiscal reports should be comprehensive, encompassing all institutions, stocks, and flows.
- **Credibility:** The integrity of reported information should be beyond question and should clearly state the degree of external validation and comparability involved in their production.

6.0 IMPORTANT DIMENSIONS FOR FISCAL REPORTING

6.1 The Government Finance Statistics Manual (GFSM) 2014 and International Public Sector Accounting Standards (IPSAS) define the standards for public sector financial reporting. These state that Government reporting should strive to encompass four core dimensions to provide a comprehensive coverage of all fiscal activities in the public sector:

- (i) **Dimension 1: Coverage of Institutions:** Fiscal reports should capture the financial activities of all public sector entities including ministries

and departments, Government agencies at the national and sub-national levels, extra-budgetary entities/funds, publicly run non-profit institutions, and public enterprises or corporations owned or controlled by Government.

- (ii) **Dimension 2: Coverage of financial transactions:** Fiscal reports should cover all transactions on Government’s financial operations, including transactions on generating public revenues, deploying public expenditures, and raising additional financing to fund budget shortfalls.
- (iii) **Dimension 3: Coverage of Cash and Accrued Transactions:** Fiscal reports should cover all information on cash and, where specified, accrued, transactions as well as other ‘economic flows’ (fiscal impacts of non-transactional events e.g. natural disasters) to provide a complete account of Government’s financial operations for a given year consistent with the accounting basis used..
- (iv) **Dimension 4: Coverage of Assets, Liabilities and Net worth:** Fiscal reporting on balance sheets capturing public assets, liabilities, and net worth - providing as full a view as possible of Government’s financial standing at particular points in time of the estimated overall net financial position of each entity.

7.0 FISCAL REPORTING POLICY FRAMEWORK

- 7.1 LEGAL framework (Mandate for Fiscal Reporting Policy). The mandate for implementing the Fiscal Reporting Policy is drawn from Section 14 of the Public Finance (Control and Audit) Ordinance (1976) which authorizes the Minister for Finance to effectively manage public resources and provide a full account of its use to Parliament each year.
- 7.2 TYPES & TIMELINE OF REPORTS. Consistent with international financial reporting requirements and standards, Government will be preparing and publishing across six broad fiscal reporting categories in the public sector. Types of reports and the proposed timeline are outlined in Table 1:

Table 1 – Report Types and Timelines

Report Categories	Report Type	Timeline*
A. Budget Setting	1. Medium Term Fiscal Strategy	Tabled in Cabinet by 31 August each year.
	2. Budget Appropriation i. Recurrent Budget Estimates ii. Development Budget Estimates	Published on or before 31 January each year
	3. Citizens’ Budget	Published by 31 March each year
B. In-Year Budget Execution Reports	4. Quarterly Budget Performance Report	Published within 3 to 5 months of the end of the quarter to which it relates

	5. Half year Budget Performance Report	Published within 3 to 5 months of the end of the half-year to which it relates.
	6. Preliminary Final Budget Outcome Report	Published within six months of the end of the financial year to which it relates
C. Annual Financial Reports and Statements	7. Provisional Whole of Government Financial Statements and Annual Appropriation Statement (Including public debt information on lender, loan term, interest rate, terms, purpose, amount borrowed, repayments and outstanding balance).	As submitted to the Auditor General, published within 6 to 11 months of the financial year to which it relates
	8. Final Audit Report on Whole of Government Financial Statements and Annual Appropriation Statement	Published within 21 days of presentation to Parliament
	9. Annual Public Procurement Report	Published within 6 to 8 months of the end of the financial year to which it relates
D. Extra Budgetary Funds/Entities	10. RERF Quarterly Performance Reports	Reported to Parliament at the next available sitting after the quarter and published within 2 months of the end of the quarter
	11. RERF Annual Report	Published within 3 months of the end of the financial year
	12. Special Funds Annual Performance Report based on Audited Accounts	Presented to cabinet within 9 months of the end of the financial year
E. State-Owned Enterprises (SOEs)/Public Corporations	13. Half-Year Reports – Summary Reports on Half-Year Performance of all SOEs	Tabled to Cabinet/Parliament within 6 months of the end of the half-year period.
	14. Annual Report – Summary Report on Performance of all SOEs based on final audited accounts	Presented to Cabinet/Parliament within 9 to 11 months after the end of the financial year
F. Local Councils	15. Audited Local Council reports (Island Councils)	Published by Government within 12 months of the end of the financial year.

*Where a range of dates is given, Government will strive to achieve the earliest date for publication/presentation but recognises that in a small state with limited resources, finalization of sensitive documents may be subject to unavoidable delays.

7.3 **Annex 1** highlights key reporting requirements and details to be captured under each of the above-mentioned fiscal reports and statements.

7.4 Compliance with these reporting details will be made on a progressive basis, depending on available human and technical resources, however Government will make concerted efforts to achieve full compliance with these reporting requirements.

REPORTING RESPONSIBILITIES

7.5 The Ministry of Finance and Economic Development (MFED) will be the key responsible agency for preparing, compiling, and publishing all fiscal reports and statements. Other public institutions including the Ministry of Internal Affairs

(MIA) and the Kiribati Audit Office (KAO) also have designated responsibilities for preparing financial reports under this Policy as highlighted in Annex 2.

- 7.6 All reporting agencies or divisions must establish sound processes and procedures to ensure all fiscal reports and statements are prepared and published within the timeframes outlined in **Table 1**. Also, reporting agencies must ensure that all proper consultations are convened as necessary, with key stakeholders in the preparation of fiscal reports and statements - including Government and non-Government actors - to maintain the quality and credibility of financial reports.

REPORTING STANDARDS

- 7.7 Fiscal reports, statements and statistics disseminated under this Policy will be prepared in accordance with current global public sector accounting standards and guidance including: the 2014 Government Finance Statistics Manual (GFSM)¹ Standards for preparing fiscal statistics; International Public Sector Accounting² Standards (IPSAS) for compilation of Government financial statements;
- 7.8 These international standards shall provide the standard accounting frameworks, classifications, and methodologies for recording revenues, expenditure, and financing transactions in financial reports as well as assets and liabilities; based on clear categories for administrative units, economic categories, functions, programs and geographical boundaries.
- 7.9 Where reporting is not consistent with these standards, it shall be declared and recorded in the reports.

QUALITY ASSURANCE

- 7.10 The Government will, as far as possible, apply the following safeguards to promote the integrity and credibility of Government's fiscal reports:
- Data and information used for fiscal reports should be properly checked, verified, and reconciled, through Government's reconciliation processes/systems to ensure accuracy and validity for financial reporting and publication.
 - Annual financial statements shall be subjected to routine audit by the supreme audit institution and be issued with an audit opinion by the Auditor General or a Private Auditor appointed by the Auditor General.

¹ [Government Finance Statistics Manual IMF 2014](https://www.imf.org/external/pubs/ft/gfs/manual/2014/gfsfinal.pdf) – (https://www.imf.org/external/pubs/ft/gfs/manual/2014/gfsfinal.pdf)

² [International Public Sector Accounting Standards](https://www.ifac.org/system/files/publications/files/2021-IPSASB-Handbook_Vol-1_ENG_Web_Secure.pdf) – IPSAS (https://www.ifac.org/system/files/publications/files/2021-IPSASB-Handbook_Vol-1_ENG_Web_Secure.pdf)

- Any notable changes to fiscal trends shown in financial reports should be explained as far as is feasible with corresponding evidence and data.
- When reporting fiscal data, Government should take the opportunity to review and revise data from previous quarters' or reporting periods, to account for new information or previously undetected errors. This should avert the need for substantial revisions to annual fiscal aggregates and support the credibility of Government's fiscal statements.
- Any changes or revisions to previously published data must be publicly acknowledged and supported by appropriate explanations to maintain the integrity of published fiscal reports and statements.

PUBLICATION

- 7.11 Establishing regularity in publishing fiscal reports is important to enhance fiscal transparency and accountability.
- 7.12 All reports and statements outlined in **Table 1** shall be published on a government website and in one or more other locations or methods:
- (i) Official Press Statement;
 - (ii) Published on MFED's website;
 - (iii) Posted on official/Government social media platforms;
 - (iv) Radio/Television broadcast;
 - (v) Physical Dissemination of reports, statements and papers where feasible; and
 - (vi) Other communication mediums as approved by Cabinet.
- 7.13 The default means of dissemination of all fiscal reports will be the MFED website.
- 7.14 Fiscal reports may only be published with the approval of authorised officials or agencies.

DATA AND INFORMATION SOURCES

- 7.15 All information, data and statistics used for the preparation of fiscal reports must be retrieved, extracted, and collated from credible sources, including - but not limited - to the following:
- (i) Reconciled financial data extracted from the Government IFMIS system;
 - (ii) Information from published Government reports, statements, papers, documents, etc.
 - (iii) Information published by external (non-state) institutions, including aggregate economic and fiscal statistics published by the IMF, the World

Bank, Asian Development Bank, CROP Agencies and other reputable organizations.

- (iv) Other general information deemed trustworthy and appropriate to be included in fiscal reports.

7.16 All data and information obtained from external sources will be appropriately referenced in fiscal reports - using appropriate referencing standards/systems.

PROFESSIONAL ETHICS AND STANDARDS

7.17 Public officials and professionals involved in the preparation of financial reports and fiscal statements should demonstrate high levels of integrity and honesty in their work and adhere to the highest standards for accurate and credible financial reporting. Any potential conflicts of interest will, where feasible, be stated in notes to the report.

7.18 Responsible Officers should at all times remain neutral and unbiased in recording and reporting public financial information. They should adhere to all relevant accounting principles and standards, when measuring, recording and treating transactions recorded in financial statements. They must not violate any 'confidentiality' rules as prescribed by Government on the disclosure of financial information and should take all necessary measures to prevent any unsolicited leakage of information yet to be approved by authorized officials or agencies.

8.0 TRANSITION PLAN - IMPLEMENTATION ARRANGEMENTS

8.1 The timelines (frequency) for publication of financial statements and reports will be progressively improved over time, in line with progress made with current IFMIS reforms; particularly plans to install new financial reporting modules; strengthen monthly reconciliation processes; and build capacity within MFED and other reporting agencies to prepare internationally compliant fiscal reports. This will enable more timely and regular reporting on the status of Government finances.

8.2 At present, it takes between 6 to 12 months to consolidate, reconcile, and validate fiscal data in the Government financial system. The timelines for financial reporting is limited to this timeframe until further improvements are made through the IFMIS system to generate more timely data for financial management reports. Reporting for SoEs and Local Councils will also be aligned to improvements made to their respective auditing and reconciliation processes.

8.3 Considering current reform plans to strengthen internal reconciliation and reporting processes within Government over the next 2 to 4 years, the publication of fiscal reports and statements under this Policy will be scheduled

in tandem with these reforms and rolled out through a carefully sequenced multi-year Transition Plan – spanning over the period 2022 -2025.

- 8.4 As shown in **Annex 2**, the Transition Plan highlights the new timelines for publication of all fiscal reports and statements as well as designated officials or institutions in Government that would be preparing the reports and authorizing their publication.

9.0 REVIEW

- 9.1 This policy will be reviewed by Government from time to time to ensure its continued relevance and applicability.

10.0 CONCLUSION

- 10.1 The Fiscal Reporting Policy represents a formal commitment by Government to strengthen fiscal transparency and accountability in Kiribati in line with the Government’s manifesto promises and international standards that the Government has chosen to abide with. It sets a sound platform for the evolution of Government’s financial reporting practices which will be aligned closely with the pathway for reforming the public financial management system in Kiribati and improving fiscal reporting standards.
- 10.2 As prescribed in the Transition Plan (**Annex 2**), the primary goal is to achieve full compliance with this Policy by 2025, and to promote the publication of all approved financial reports and statements. This will not only strengthen policy making in Government but also enable our leaders to make effective decisions that will drive future growth and development and bring about greater prosperity.

Annex 1

FISCAL REPORTS & STATEMENTS

Descriptions and specific details to be included in fiscal reports and statements

A. Budget Appropriation Statements and Reports

1. **Medium Term Fiscal Strategy:** The MTFS sets out government's broad fiscal plans for the medium term; taking into account, the diverse range of global and domestic challenges confronting the Kiribati economy and plans to achieve government's development objectives over the medium term - in line with the KV20 Vision and Kiribati's Development Plan.

A central feature of the Strategy is the preparation of a Medium Term Fiscal Framework (MFFF) that broadly outlines government's fiscal targets for the budget and the subsequent two years, including: forecasted revenue and expenditure projections; budget balances; and plausible financing options to safeguard and maintain overall financial stability.

2. Budget Appropriation Statements

- (i) **Recurrent Budget Estimates:** records all recurrent revenues and recurrent expenditures as well as government's contribution to public sector investments through the "Local Contribution to the Development Fund" (LCDF). The Recurrent Budget should also record and publish information on government's debt levels, sovereign wealth investments, special funds and other off-budget provisions.
 - (ii) **Development Budget Estimates:** records and publishes budget provisions made for development purposes in Kiribati - financed by both government and donors, including investments in public infrastructure like roads, jetties, schools and other long-term assets.
3. **Citizens Budget (CB):** Simplified version of the Government Budget; communicating key messages in the Budget through simple language that can be easily understood by ordinary citizens. The CB should be disseminated widely; with an aim to promote greater awareness and participation in the national budget processes, and to promote inclusivity.

B. In-Year Budget Execution Reports

1. In-Year Budget Performance Reports

- (i) **Quarterly/Half Yearly budget Performance Reports & Statements:** fiscal update report comparing the actual outturns for government revenues, expenditures and financing in each quarter against their respective fiscal projections. The report must be accompanied by a cashflow or operational statement prepared in accordance with international public sector reporting standards.
- (ii) **Preliminary final budget outcome report (publication):** Brief Budget statement (or report) conveying the provisional results for government revenues and expenditures as well as the provisional - net financial position - for the financial year.

C. Annual Financial Reports and Statements

- 1. Preliminary Whole-of-Government Financial Statements and Annual Appropriation Statement (Provisional)** – should cover various financial statements and reports required for auditing purposes.
- 2. Final Audited Report on Whole-of-Government Financial Statements and Annual Appropriation Statement** as audited and reviewed by the Auditor General's Office.
- 3. Annual Public Procurement Report:** outline details for all tender board reviews, covering compliance issues and proposals to improve procurement processes.

D. Extra Budget Entities

- 1. RERF Quarterly Performance Report:** covering the performance of RERF portfolio investments (i.e. both fixed income and equity investments); as well as assessments on future market risks and expectations.
- 2. RERF Annual Report:** Annual performance report on RERF's investments covering issues stated in (1) above as well as new proposals on divestments, investment swaps and proposed adjustments to fixed income and equity investment ratios.
- 3. Special Funds Annual Performance Report - based on audited accounts of "Special Funds":** The report should assess the operational and financial status of Special Funds in the National Budget; including the Civil Aviation Special Fund; Plant and Vehicle Unit Fund; Import Levy Fund and other Special Funds.

E. State Owned Enterprises (SoEs) /Public Corporation

- 1. Annual Report: Summary Report on performance of all SoEs - based on final audited accounts** – providing a comprehensive assessment on the commercial and functional performance of SoE's in accordance with reporting requirements stipulated under Section 20 of the State-Owned Enterprise Act.
- 2. Half Year Report: Summary Report on half year performance of all SoEs:** providing a comprehensive assessment on the commercial and functional performance of SoE's in accordance with reporting requirements stipulated under Section 21 of the State-Owned Enterprise Act.

F. Local Councils

- 1. Audited Local Council Reports & Statements:** audited financial reports and statements of all Island Councils

Annex 2

Transition Plan - Fiscal Reporting Policy

Fiscal Report	Authorization (Clearance Level)	Reporting Agency/Division	Timeframes
Phase 1: 2022			
<u>Budget Statements and Reports</u>			
1. Medium Term Fiscal Strategy	Cabinet	MFED - NEPO	Tabled in Cabinet by 31 August each year.
2. Recurrent Budget Estimates	Parliament	MFED - NEPO	Published on or before 31 January each year
3. Development Budget Estimates	Parliament	MFED - NEPO	Published on or before 31 January each year
4. Citizens Budget	Finance Secretary	MFED - NEPO	Published by 31 March each year
5. Preliminary final budget outcome report (published statement)	Finance Secretary	MFED - NEPO	Published within six months of the end of the financial year to which it relates
<u>Annual Financial Reports and Statements</u>			
6. Provisional Whole of Government Financial Statements and Annual Appropriation Statement (Including public debt information on lender, loan term, interest rate, terms, purpose, amount borrowed, repayments and outstanding balance).	Finance Secretary	MFED - Treasury Division	As submitted to the Auditor General, published within 6 to 11 months of the financial year to which it relates
7. Annual Public Procurement Report	Finance Secretary	MFED – Procurement Unit	Published within 6 to 8 months of the end of the financial year to which it relates
<u>Extra-Budgetary Funds/ Entities</u>			
8. RERF Annual Report.	Parliament	MFED - SoEMAU	Published within 3 months of the end of the financial year
Phase 2: 2023			
<u>Budget Statements and Reports</u>			

9. Half Yearly Budget Performance Reports and Statements	Finance Secretary	MFED - NEPO	Published within 3 to 5 months of the end of the half-year to which it relates.
<u>Annual Financial Reports and Statements</u>			
10. Final Audited Report on Whole-of-Government Financial Statements and Annual Appropriation Statement.	Parliament	MFED - Treasury Division	Published within 21 days of presentation to Parliament
<u>Extra-Budgetary Funds/ Entities</u>			
11. RERF Quarterly Performance Reports.	Parliament	MFED - SoEMAU	Reported to Parliament at the next available sitting after the quarter and published within 2 months of the end of the quarter
Phase 3: 2024			
<u>In-Year Budget Execution Reports</u>			
1. Quarterly Budget Performance Report and Statements	Finance Secretary	MFED - NEPO	Published within 3 to 5 months of the end of the quarter to which it relates
<u>Extra-Budgetary Funds/ Entities</u>			
1. Special Funds - Annual Performance Report based on audited accounts of "Special Funds"	Parliament/Cabinet	MFED - NEPO	Presented to cabinet within 9 months of the end of the financial year.
<u>State Owned Enterprises (SoEs)/Public Corporation</u>			
1. Annual Report: Summary Report on performance of all SoEs - based on final audited accounts.	Parliament	MFED - SoEMAU	Presented to Cabinet/Parliament within 9 to 11 months after the end of the financial year
2. Half Year Report: Summary Report on half year performance of all SoEs.	Parliament	MFED - SoEMAU	Tabled to Cabinet/Parliament

Local Councils

1. Audited Local Council Reports (Island Councils)	Parliament	MIA	Published by Government within 12 months of the end of the financial year.
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