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# Procesos de convergencia a Normas Internacionales de Contabilidad del Sector Público

## Convergence processes to International Public Sector Accounting Standards

Lourdes Patricia Illescas-Guillén
lourdes.illescas@psg.ucacue.edu.ec
Universidad Católica de Cuenca, Cuenca
Ecuador
https://orcid.org/0000-0002-7934-6957

Cecilia Ivonne Narváez-Zurita
inarvaez@ucacue.edu.ec
Universidad Católica de Cuenca, Cuenca
Ecuador
https://orcid.org/0000-0002-7437-9880

Juan Carlos Erazo-Álvarez
jcerazo@ucacue.edu.ec
Universidad Católica de Cuenca, Cuenca
Ecuador
https://orcid.org/0000-0001-6480-2270

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## RESUMEN

En el presente artículo se diseñó un procedimiento metodológico para implementar las Normas Internacionales de Contabilidad del Sector Público (NICSP) en entidades del sector público no financiero de manera óptima. Al ser esta investigación no experimental, se manejó un enfoque cualitativo, mediante la revisión documental y aplicación de entrevistas semiestructuradas con un diseño transversal para la recolección de información y el estado de su implantación tanto en Ecuador como en Perú. Los resultados determinaron la existencia de dificultades en esta fase de transición, siendo las más relevantes la falta de capacitación, directrices y herramientas por parte del ente rector. En consecuencia, se concluye en la importancia de contar con un proceso metodológico que direccione la ejecución de cada etapa y sirva de soporte a las entidades para solventar posibles eventos que amenacen la utilización de la nueva normativa en el sector público.

**Descriptores:** Administración pública internacional; cooperación internacional; contabilidad de costes; recursos financieros. (Palabras tomadas del Tesauro UNESCO).

## ABSTRACT

In this article, a methodological procedure was designed to implement the International Public Sector Accounting Standards (IPSAS) in non-financial public sector entities in an optimal way. As this research is non-experimental, a qualitative approach was used, through the documentary review and application of semi-structured interviews with a cross-sectional design for the collection of information and the status of its implementation in both Ecuador and Peru. The results determined the existence of difficulties in this transition phase, the most relevant being: the lack of training, guidelines and tools provided by the governing body. Consequently, it attaches importance to a methodological process that directs the execution of each stage and supports the entities to solve possible events that threaten the use of the new regulations in the public sector.

**Descriptors:** International civil service; international cooperation; cost accounting; financial resources. (Words taken from the UNESCO Thesaurus).

## INTRODUCTION

This study reflects the various processes carried out in both Ecuador and Peru in their transition to the International Accounting Standards for the Public Sector, which range from their origin and definition, the importance of their implementation, accounting application, as well as the drawbacks and challenges encountered in their development, facts that have marked the path to progress and innovation in the public sector.

In Ecuador, the Ministry of Economy and Finance, within the process of permanent modernization of its National System of Public Finance(NSPP); and always thinking of improving international practices for its management, has worked for a transition to IPSAS. As such, the Undersecretariat for Government Accounting together with the Inter-American Development Bank (IDB) attended accounting events and performed some activities with the objective of learning about the experiences of other countries. Besides, they developed two international consultations: the first one for clarifying the gaps between the Government Accounting Regulations and the IPSAS; the second one for elaborating a convergence plan to IPSAS.

In addition to the aforementioned activities related to IPSAS, other systemic tasks were performed for their implementation; one of them is the project related to a modern instrument for integrating the action of public finances, which was contracted by the Ministry of Economy and Finance in December 2016. The expectation of this program was the presentation of the first consolidated financial statements for the public sector under IPSAS in 2020, and also, the publication of the Regulation of Government Accounting, since a format for each Government Accounting Technical Standard will be taken into account as an international standard, with the purpose of achieving: scope, recognition, initial measurement, subsequent measurement and disclosures (Latin American Government Accounting Forum, 2019).

With regard to the neighboring country of Peru, the General Directorate of Public Accounting is responsible for this transition process; therefore, in accordance with Peruvian regulatory standards, and the study for the implementation of International Accounting Standards of the Public Sector (IPSAS), it has decided to focus on an indirect application. For this reason, the IPSAS and NSPP have been established gradually since 2012, and they have been regulated by the rector' entity. These regulations, being mandatory and applicable to public sector in the preparation of their financial statements, are similar to Ecuador in the use of the accrual accounting as a general application base; and also, in transactions and other events.

Based on all the previous arguments, through this article, it is intended to know about the progress, difficulties and expectations that Ecuador and Peru have had in their convergence to IPSAS; likewise, according to the results, it is intended to design a methodological procedure to implement IPSAS in non-financial public sector entities in an optimal way.

## METHODOLOGY

This analysis was based on a non-experimental research design. Furthermore, a documentary review and interviews were conducted to determine the current status of IPSAS implementation in Peru and Ecuador, respectively. The design used was transversal. For the case of Ecuador, non-financial public institutions located in the city of Cuenca were considered as the study population.

## RESULTS

### IPSAS Implementation in the Nonfinancial Public Sector

In Ecuador, new developments in the processes for the IPSAS implementation were evidenced through interviews with the head of Accounting of Vicente Corral Moscoso Hospital, the General Financial Director and General Accountant of the Autonomous Decentralized Municipal Government located in Cuenca canton.

### Knowledge about IPSAS

It was determined that the responsible and related servants know the standards that will be used to record economic events as part of financial statements; taking into consideration the existing instruction provided by the Ministry of Finance that must be applied for this convergence.

### Experiences of the transition process

Considering that every change generates reactions of a different nature, the measurement of each entity's experiences in this process of normative transition was considered. It reflected compliance with the directives of the governing entity in a projected start since 2020. However, the entities have made adjustments to asset, inventory accounts and accumulation of works as preparatory operations for convergence.

### Level of acceptance to change

As it is considered an innovative change, the level of acceptance to change was examined. On the one hand, the entities have taken it positively as an improvement for achieving the quality and comparability of information in the public sector. The counterpart exposed that, even though there is progress, there is no clarity in the provisions issued by the governing body.

**Significant changes in the entity resulting from the application of IPSAS**

It was observed that these entities are guided by the objective of this transition, which supported fiscal decision-making, the fight against corruption and mismanagement; however, the lack of information by the Ministry of Finance is emphasized, since it has not sent the new catalog of financial accounts for its knowledge and application.

**Implementation stage**

As a result, a delay in its start was evidenced, since it was planned for the second quarter of 2020. Despite this particularity, according to the latest guidelines of the governing body, the entities have complied with the adjustment, reclassification and revaluation phase of assets arranged by the Ministry of Economy and Finance.

**Training**

Although it was covered by the governing body, this parameter was considered as insufficient, since those servers who attended must replicate the topics taught to their colleagues. In addition to this point, they were told that a new training would start from the second quarter of 2020, a situation that was not carried out.

**Professional experience of public servants in IPSAS**

Accounting experience and knowledge in public entities is a necessary variable to measure for the transition to IPSAS. They trust in their personnel's knowledge for managing Government Accounting to easily address this change.

**Aspects to improve in this process**

Within any process, the non-financial public sector entities established training as the main point, as well as mechanisms for consultations such as the so-called help desk in the city of Cuenca, since currently, it only works in the headquarters located in Quito.

**Strategies implemented in this convergence**

In order to achieve the best results in the transition process to IPSAS, the application of strategies within the entities was a premise that should be subject to measurement, resulting in some actions such as meetings to socialize the implementation of IPSAS and the new system with the authorities of the entity; as well as the development of processes complying with the directives of the governing body, such as the purification of balances.

**Advantages and Disadvantages in this process**

The level of benefit / harm of this convergence project was measured, in which the entities pointed out some advantages of the implementation of IPSAS such as the strengthening of transparency, efficiency and accountability, the launching of a management campaign of change and motivation in public sector entities, in order to achieve a commitment in the implementation of IPSAS; however, the disadvantage is the little or no support from the governing body.

**Institutional goals within this transition**

It was evidenced that the institutions determined the following goals for this implementation process: to increase the effectiveness, efficiency, quality and transparency in the management of income, expenses and financing of the public sector; as well as preparing the first financial statements for 2020 in accordance with the new IPSAS regulations.

**Governing body guidelines**

This indicator made it possible to establish that the entities have instructions for the application of the different accounting processes and records based on the IPSAS through the SINAFIP computer tool, which will allow them the transparent management of public spending; however, this activity has not started.

**IPSAS application analysis in Peru**

In the case of Peru, a study carried out by the Inter-American Development Bank together with the private firm EY on the status of adoption of the International Accounting Standards for the Public Sector (IPSAS) was found, finding pending processes such as: declarations of the IPSAS that are being applied, data from the financial statements regarding variations and their incidence in the field of finance, the use of computer applications created for this purpose, the Directorate of the Ministry of Economy and Finance's commitment for the preparation of an action plan that considers accounting policies, technology and training and the implementation of worldwide Government Resource Planning (GRP) systems as main axes.

The integration of a committee of users will coordinate with the governing bodies of the financial administration and the Higher Control Body the elaboration of accounting processes based on the IPSAS. In the same way, some outstanding advantages are mentioned, for example, the obtaining of transparent and reliable information that contributes to a better decision-making by the State and the rendering of accounts and the evaluation in terms of the distribution of resources with efficiency and effectiveness through management indicators, which will make it possible to foresee future financing if required. (Independent auditing firm EY, 20179).

Both in Ecuador and Peru, there is evidence of difficulties in the IPSAS implementation process; being the lack of training one of the most affected. Thus, it can also be observed that the two countries follow the guidelines of their governing body for the application of standards and guides that allow them to implement the application of IPSAS. In the case of Peru, financial statements have already been prepared applying the International Accounting Standards for the Public Sector; on the other hand, in Ecuador, the first accounting records will be made for applying the standard as of January 1, 2020, according to the guidelines issued by the governing body as mentioned by the interviewees.

## PROPOSAL

Based on the results obtained in this study, it is proposed to design a methodological procedure to implement IPSAS in non-financial public sector entities, which will be made up of 4 stages considered key in this transition, such as: the action plan, formulation of strategies, detection and definition of possible obstacles or problems and formulation of programs to reduce the impact that certain barriers may cause in the application of IPSAS in non-financial public sector entities.

## Action plan

It is necessary to carry out an analysis of the current situation in which this process is found inside each entity of the non-financial public sector. To accomplish this, the mission, vision, scope with its actors or managers and the normative must be defined.

**a) Mission**

Achieve the efficient implementation of IPSAS by organizing activities that allow compliance with the guidelines application in order to reach optimal and timely convergence.

**b) Vision**

To be a benchmark in the implementation of NISCP for non-financial public sector entities, by having personnel trained in NISCP capable of fulfilling this convergence process effectively and efficiently.

**c) Scope**

This aspect has been raised based on the new financial administration system (SINAFIP) from its functional perspective, since it integrates the components: fiscal policy and programming, income, budget, public debt, government accounting and treasury.

## Application Guide

This document will provide the necessary information on the implementation of IPSAS for non-financial public sector entities, which will be made up of: background, legal basis, scope of application, general and specific processes for each account, as well as the projection of the financial statements of transition to IPSAS. All these details prepared on the basis of IPSAS 33.

**d) Regulatory Support**

This procedure for the implementation of IPSAS is based on the International Public Sector Accounting Standards issued by the IPSASB (International Public Sector Accounting Standards Board), the COPLAFIP (Organic Code of Planning and Public Finance) and its regulations, Regulations of Government Accounting, the SINAFIP system and budget classifier and accounting catalog, which must be adjusted to the new regulations.

**Strategy formulation**

To start with this activity, it is necessary to form a work team, preferably, personnel from the Financial Department headed by its director or delegate, so that continuity and follow-up can be given in the execution of the action plan and the methodological strategies that will be applied between direct and indirect actors. So, the availability of resources and time, the support available from the entity, as well as the need to involve related personnel must be recognized in this transition.

**a) Training**

It is carried out through both theoretical and practical workshops on the regulations to be implemented for unifying criteria. The planning of work meetings must be duly scheduled and socialized, so the use of technological means such as a web page or through a circular letter to the financial managers of each entity is recommended.

**b) Disclosure**

Disclosure should be handled as a complementary strategy since it would not only be done internally to public sector entities but also to the general public, with the purpose of generating knowledge and support by digital, visual and written means.

**c) Organic Structure**

Most of the non-financial public sector entities have in their organic structure a financial department made up of a team of professionals responsible in various areas (budgetary, accounting, financial), so a direct executor of the project should be considered for this activity.

**d) Instruments**

To obtain a successful implementation of IPSAS, non-financial public sector entities should strengthen their technical accounting tools, that is, their physical controls, performing bank reconciliations and inventories in a more rigorous manner. For the development of the convergence process, an analysis of the current financial accounts in non-financial public sector entities and the proposed chart of accounts according to IPSAS is proposed, for which a trial balance of a non-financial public sector (hospital) has been taken as an example.

**e) Evaluation and Control**

A final strategy to take into account will be the evaluation and control, since the activities performed from the beginning, during and at the end must be monitored. This treatment will help to detect errors in time and take the necessary corrections in order to meet the objective of implementing IPSAS in non-financial public sector entities efficiently and effectively.

**Detection and definition of possible problem situations**

Based on the study carried out for the IPSAS convergence project, which took the gap reports as a reference and the regulations prepared by the Undersecretary of Government Accounting and the National Public Finance System, identified two possible problems: general situations and specific facts, which should be considered by the entities when incorporating the processes into IPSAS. Some of them are: the lack of incorporation of IPSAS in current accounting regulations, financial information that has not been consolidated due to problems with the tool used and the absence of a chart of accounts based on IPSAS.

**Setting objectives and formulating programs**

Public sector entities must implement objectives at this stage of transition to IPSAS in order to obtain a successful implementation, identifying both general and specific objectives. As a general objective, concepts and activities related to accounting aspects should be reinforced, by means of an application guide that allows directing their registration and accounting under the new regulations. Regarding the specific objectives, these will depend on those involved in the activity. In this case, the action falls on the public sector entities that are the subject of this analysis; which must comply with the

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regulations established by the governing body, designate their accountants as those directly responsible for this transition, organize and define their accounting procedures, rely on advice from professionals in IPSAS, inform the governing body and the Undersecretary of Government Accounting about changes in the assigned program and problems detected in the development of their tasks.

For the formulation of programs, the functions that each entity must perform will be focused on the general situations and particular events that were detected as possible problems in the previous stage, since meeting these challenges constitutes an essential step that will facilitate convergence to IPSAS.

## DISCUSSION

Currently, countries around the world and particularly in South America, have opted for convergence to the International Accounting Standards in the Public Sector, because it will allow public sector entities to have reliable and complete information to reveal, in this way, the economic and financial reality of its operations. Furthermore, it will facilitate the administration of public resources, providing guarantee and quality in reports as well as support in decision-making, generating a positive appreciation of the economy at an international level (Rico Bonilla & Díaz Jiménez, 2017).

Within this framework of adoption, the presence of obstacles in its process is evident, so that several countries have expressed their difficulties as a consequence of a neglect in the preparation of personnel that starts from the highest authorities and also, the lack of socialization of the information. This reality contributes to an analysis and interpretation to be applied to the nature of each entity (Castañeda, 2018).

The above statement agrees with the results compiled from the experiences of the Financial Departments of the institutions of the non-financial public sector in Ecuador since there are no clear guidelines from the governing body to develop the respective accounting processes and the training received in this regard.

Taking into account these considerations based on the non-financial public sector entities; the imperative need to have a methodological procedure is evidenced so that an adequate and timely implementation of the processes for the adoption of IPSAS is required. Hence, both the phases and strategies of this proposal will serve as support to overcome the possible problematic situations that may arise in the development of the implementation with respect to this new regulation.

The proposal developed in this research directly involves the Finance Department and its Accountant, as a key operative actor. Therefore, he/she will be the main executor of this process since he/she is the appropriate to direct the activities and recommend the proper programs based on IPSAS as transcendental points to use in each stage of this transition.

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