Revista Arbitrada Interdisciplinaria KOINONIA
Año V. Vol V. N°10. Julio – Diciembre 2020
Hecho el depósito de Ley: FA2016000010
ISSN: 2542-3088
FUNDACIÓN KOINONIA (F.K). Santa Ana de Coro. Venezuela.

Jaime Eduardo Machado-Guamantario; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

http://dx.doi.org/10.35381/r.k.v5i10.692

Evaluación y medición del principio del devengado en el sector público no financiero del Ecuador

Evaluation and measurement of the accrual principle in the non financial public sector of Ecuador

Jaime Eduardo Machado-Guamantario
jaime.machado@psg.ucacue.edu.ec
Universidad Católica de Cuenca, Cuenca
Ecuador
https://orcid.org/0000-0001-7292-2969

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

Recibido: 15 de marzo de 2020
Revisado: 05 de abril de 2020
Aprobado: 30 de abril de 2020
Publicado: 19 de mayo de 2020

ABSTRACT

This investigation tries to evaluate the principle of the transactions or economic facts accrual of the Municipal Decentralized Autonomous Government (DAG) in Ambato. Given the non-experimental nature of this article, the data was collected through surveys and interviews applied to the personnel of the financial department, in addition to the regulations, texts and narratives revision. The results show that the Municipal DAG in Ambato does not have instruments to evaluate the execution of the budgets under the accrual criteria, therefore, it cannot be specified if the information reflected in the financial statements really presents the economic results achieved. Based on the foregoing, it is considered that the design and implementation of efficiency, efficacy and effectiveness indicators are relevant for decision-making, since knowing the degree of compliance and fulfillment of the planned activities will improve the quality of public management.

Descriptors: Financial policy; financial administration; state budget; standardization. (Words taken from the UNESCO Thesaurus).

INTRODUCTION

Currently, companies need to obtain information about the activities they carry out to identify what are the shortcomings, improvements or control plans that must be met; therefore, the information must be presented in a timely, clear and available manner in order to apply effective processes for achieving the short and long term goals set by the institutions. Internal control is an indispensable tool in administrative management, it is possible through the conceptual framework and the principles applied for having a broad and systemic vision on the management of resources, mitigation of risks and fulfillment of objectives. However, the application of this internal control system does not guarantee the accomplishment of the proposed results if those responsible involved are not efficient in managing the execution of the system.

At the same time, the International Public Sector Accounting Standards seek to reinforce this control and management of financial information at an international level. This is why government entities have decided to adopt this regulation in Latin America, that, in addition to providing reliable information, allows international organizations and those interested in investing to count on a global reference framework. In Ecuador, in 2006, the accrual obligation was born as a principle where the accounting record begins with the movement of goods or services and not when there is an economic movement of income or expenses.

Due to the above, the objective of this research is to design a catalog of indicators for the Municipal Decentralized Autonomous Government of Ambato, with the purpose of establishing the quality of accounting information and the effectiveness of public management.

METHODOLOGY

This research was descriptive with a non-experimental design in which the information was not manipulated intentionally. In this context, the information was analyzed in its original state. The instruments used for data collection were the interview through a questionnaire with closed questions and a survey delimiting the responses to a choice between alternatives, (Galarza-Pomaquiza, Narváez-Zurita & Erazo-Álvarez, 2019). The financial department of the Ambato Municipal DAG was established as the unit of analysis.

RESULTS

The results obtained after the application of the investigative instruments are presented below:

The implementation of the internal control system in the Municipal Decentralized Autonomous Government of Ambato is the responsibility of all the officials who work in the entity. In this context, according to the interview with the financial director of the institution, it was determined that the financial department is in charge of disseminating and promoting observance of the internal control standards for the public sector; supervising and evaluating that the transactions do not vary with respect to ownership, legality and compliance with the budget established at the time prior to the commitment. It was also identified that the budgetary items for the use and proper management of the chart of accounts are updated. Regarding decision-making, they are supported by tools such as the income statement, financial situation statement, cash flow, reconciliation report and transfer report, which allow the delivery of quarterly reports.

At the same time, the need for the Ambato Municipal DAG to have a catalog of indicators for the evaluation, control and monitoring of processes was corroborated, since the interviewee said that its implementation will help improve financial management and decision-making oriented to the efficiency and effectiveness of programs and projects so that the fulfillment of the activities of the Municipal DAG may be measured.

On the other hand, the results obtained from the survey reflected that, in the accounting department, there is no verification in accordance with the goods or services acquired described or detailed in the invoice or contract; in this sense, it should be noted that as specified by the Internal control standards of the State Comptroller General's Office, there must be a review prior to the accrual. Additionally, the accounting system used does not produce reports on the public debt service that allows reconciliations with the budget.

PROPOSAL

Based on the results obtained with the research instruments, it is appropriate to develop a catalog of indicators for decision-making by the Municipal Decentralized Autonomous Government of Ambato according to the following structure: cover, index, prologue, presentation, content (indicators).

Catalog of indicators for decision-making of the Municipal Decentralized Autonomous Government of Ambato

Prologue

The International Accounting Standards for the Public Sector (IPSAS) established the requirements for obtaining financial statements based on the accrual principle. These standards are adopted in different countries of the world in order to unify financial information, and it is also used as a tool to fight against corruption and make accountability transparent in public entities in Ecuador as a development, modernization and adaptation initiative. This transition process was maintained until 2019; entering into force on January 1, 2020. The new version of the Government Accounting Regulations under IPSAS seeks to obtain an integrated financial management system that follows international standards and adopts best practices.

In this context, the Municipal Decentralized Autonomous Government of Ambato, as well as all the institutions, bodies and entities of the Non-Financial Public Sector, was subject to the Regulations of the National Public Finance System (SINFIP), in a mandatory manner aligned to the provisions of the Ministry of Economy and Finance in order to prudently manage income, expenses and public financing. Therefore, each of the institutions must design tools to evaluate, control and monitor the performance of the entities, which is why the use and application of this catalog of indicators for decision-making of the Municipal DAG of Ambato is proposed.

Presentation

The management indicators catalog is a set of tools that seeks to contribute to the evaluation and decision-making in a timely manner of the Municipal Decentralized Autonomous Government of Ambato. The document contains instruments for the application and its usefulness in terms of planning, management and monitoring processes. It is expected that the efficiency and effectiveness indicators may help the public managers in the decision-making of the Municipal DAG of Ambato, so that they support the analysis and progress in their management assertions.

Content

The value of having management indicators.

The accounting-financial processes allow having information not only about the progress fulfilled in relation to the budget or plan but also about the results at the end of each period. For this, it is necessary to punctually measure the results of the management, since its variables are very valuable for the public entity to meet its objectives and to be considered part of the strategies. In this context, the information corresponding to the indicators is essential for effective and efficient management.

Using the catalog

In order to successfully manage this document, the indicators were classified according to categories for the institution, facilitating their use in the application. The Municipal DAG of Ambato are the ones who will give life to these tools for analyzing, evaluating and monitoring their management, in the same way, it will allow them to make appropriate decisions to strengthen their strategies. The institution will be the responsible to execute such indicators and sustain them over time.

Category: Efficacy

Indicator 1: Compliance with earned income

The objective is to measure the budget by relating the budgetary execution of the income according to the accrued amount (record of economic events at the time it occurs, whether or not there is money movement) and the estimated amount (amount that may suffer some variation during a given period). Compliance with accrued income is verified with respect to the initial allocation and the level of compliance with the decreased or maintained amount.

Indicator 2: Compliance with collected revenue

The objective is to measure the collected amount (value that was received by the administration) versus accrued amount (record of economic events at the time they occur, whether or not there is money movement).

Indicator 3: Compliance of expenses with respect to accrued expenses

The objective is to measure the expenses paid based on the accrual. Compliance of expenses is verified with respect to accrued expenses.

Category: Efficiency

Indicator 4: Self-financing capacity

The objective is to evaluate the capacity of the Ambato Municipal DAG to finance itself with its own income earned (In this item, taxes, fees, contributions for the sale of goods and services of the entity as well as operating income of public companies, investments and fines, transfer or current donations and other income must be added). It seeks to know how much belongs to self-financing for each dollar obtained in the entity.

Indicator 5: Solvency of accrued current income versus accrued current expenses

The objective is to evaluate the solvency. The relationship between current income (resources that the entity receives in the development of the fiscal period for self-management) and accrued current expenses (expenditures as expenses for the consumption of goods or services with the aim of boosting the operational management of the institution). This indicator may be used at any stage or period, it serves to know if current income can cover current expenditures.

Indicator 6: Share of income from transfers or current donations accrued

The objective is to efficiently manage the resources received from income of transfers or current donations earned by the State. It seeks to know the share of income from transfers or donations compared to total income. This indicator may be used at any stage or period and serves to determine the dependency that is maintained with the State.

Indicator 7: Solvency of accrued own income versus accrued current expenses

The objective is to know the degree of financing that may be given to current expenditure. As a purpose it is proposed to measure the relationship between accrued own income with accrued current expenses to know the solvency that the earned income can provide to the Municipal DAG of Ambato.

Indicator 8: Share of accrued current income

The objective is to efficiently manage the resources from accrued current income (resources that the entity receives in the development of the fiscal period for self-management). It seeks to know the share of current income compared to total income.

Indicator 9: Minimum self-sufficiency

The objective is to efficiently manage current resources against expenses in remuneration (expenses in items corresponding to unified remuneration and social benefits) to know the minimum self-sufficiency. It is intended to observe how much is allocated to remuneration expenses for each dollar received from current income.

Indicator 10: Optimization of accrued remuneration expenses

The objective is to optimize the use of accrued compensation expenses and relate the accrued compensation expenses (they correspond to unified compensation and social benefits) and the total accrued expenses. It is worth noting that for each dollar used of the total expense, a percentage is for the compensation expense.

Indicator 11: Optimization of accrued current expenses

The objective is to optimize the use of accrued current expenses (expenditures such as consumption expenses of goods or services with the aim of boosting the operational management of the institution). For every dollar used of the total accrued expense, a percentage corresponds to the accrued current expense.

Indicator 12: Indebtedness

The objective is to evaluate the debt limit and the ability to cover the debt with current income. For this, it is necessary to know the indebtedness limit of the entity in order to make a decision based on results. As payment capacity, it is considered to include accounts that are payable for less than one year.

Indicator 13: Share of accrued taxes

The purpose is to relate the income from taxes accrued (contributions received for infrastructure or provision of services) and the total income accrued. It seeks to know the participation and collaboration that it generates in the total income of the Municipal DAG of Ambato.

Indicator 14: Share of accrued income from transfers or donations of capital and investment

The objective is to efficiently manage the resources received from the State's capital transfer income. In summary, it is intended to know the share of income from transfers or donations of capital and investment compared to the total income earned.

DISCUSSION

The application of the International Accounting Standards for the Public Sector in Latin America has changed into a universal accounting model. This allows certain countries to have high reliability and compatibility in the delivery of information; however, other countries have not developed their transformation due to the high cost, constant training and necessary tools that must accompany them for their adjustments and modifications in the regulatory and computer systems.

Ecuador has the application of the accrual principle in the management of government accounting for non-financial public companies. Its regulations follow the National Public Finance System (SINFIP), where its governing body is the Ministry of Finance. In this regard, (Vela, 1992) refers to the fact that accrual is the ideal way to present economic and management results, so this principle details the rights and obligations that each entity acquires within a given period. On the other hand, (Miller & Finney, 1964) state that the real result of an entity must be based on the movement of cash or cash equivalents in the period in which the income or expenses are actually made. In general terms, the difference between these two fundamentals lies in the time to pay or collect.

Consequently, the application of the accrual principle makes it possible to protect and control public entities in a way that guarantees information and transparency in their accounting items. At the same time, government institutions are measured according to the scope of their mission, vision and objectives. For this, government entities must provide information that allows evaluating and monitoring financial and management processes.

Among the study findings, the importance of implementing tools to evaluate, control and monitor the budget and planning of the Municipal Decentralized Autonomous Government of Ambato is emphasized, thus contributing to the efficiency and effectiveness in the processes carried out in the financial department every day.

Consequently, the proposal is aimed at developing a set of tools materialized in a catalog of indicators for the Municipal DAG of Ambato so that its administrators have support elements for effective decision-making and for the benefit of institutional progress and society's well-being.

In the final orientation of this investigative work and considering that IPSAS is not currently applied in Ecuador in the public financial sector, a line of investigation is suggested in order to evaluate the impact of the non-application of the accrual principle both in the handling of cash as in their equivalents.

FINANCING

Non- monetary.

ACKNOWLEDGEMENTS

To the authorities and administrative staff of the Municipal Decentralized Autonomous Government of Ambato.

REFERENCES

Arias , M. (2016). *Internal control and integrated framework as a means of reasonable safety in compliance with the trade companies target*. Available from https://n9.cl/pvyp

Balzarotti, G. (2004). *The accrual criterion*. Available from https://n9.cl/vnj4

Bargues, J. (1992). The new accounting of entities and public accounting principles II. *Spanish Journal of Financing and Accounting, Vol XXII n.72*, 653-673.

International Federation of Accountants IFAC. (2011). *Transition to Accumulation (or Accrual) Accounting Basis: Guidelines for Public Sector Entities*. Available from https://n9.cl/bmsa

Figueroa-Hurtado, D. P., Narváez-Zurita, C. I., & Erazo-Álvarez, J. C. (2019). The special exam as a control process: phases and practical application in the public sector. *Koinonía Interdisciplinary peer- reviewed journal,* 84-113. http://dx.doi.org/10.35381/ r.k.v4i2.468

Galarza-Pomaquiza, M. G., Narváez-Zurita, C. I., & Erazo-Álvarez, J. C. (2019). ABC Cost/ ABM as a control tool in the business management of the Organization of Peoples of Chibuleo (ONOPUCH). *Koinonía Interdisciplinary peer- reviewed journal,* 114-146. http://dx.doi.org/10.35381/r.k.v4i2.469

Galindo, J., & Guerrero, J. (2015). *Government Accounting*. Patria Editorial Group, México.

Hernández Sampieri, R., Fernández Collado, C., & Baptista Lucio, P. (2014). *Investigación Methodology*: (6a. ed. --.). México D.F.: McGraw-Hill.

Hepworth, N. (2003). *Preconditions for successful implementation of accrual accounting in central government.* Available from https://n9.cl/2qo3g

ISOTools (2015). *What are the quality indicators?* Available from https://n9.cl/vdwt

Jimbo, G., Erazo, J., & Narváez, C. (2019). Efficiency analysis of loan portfolio on Jardín Azuayo credit and savings association through data envelopment analysis model, *593 Digital Publisher CEIT*, *4*(3-1), 97-113. https://doi.org/10.33386/593dp.2019.3-1.122

Mannion, R., & Goddard, M. (2000). *The impact of Performance Measurement in the NHS. University of York*.

Miller, H., & Finney, H. (1964). *Accounting Course: Introduction*. Prentice – Hall.

Ministry of Economy and Public Finance of the Plurinational State of Bolivia. (2017).[Importance of the Accrual Accounting Principle. *ECOS*. Año 3. N° 24. 7-8. Available from https://n9.cl/kzml

Ministry of Economy and Finance (2010). *Organic Code of Planning and Public Finance*. Available from https://n9.cl/pgddq

Ministerio de Finanzas. (2016). *Government Accounting Standards. 067 Annex Ministerial Agreement. Technical Accounting Standards.* Available from https://n9.cl/jk2c

Morocho , Z., & Medina, W. (2015). *Government Accounting I.* Available from https://n9.cl/howz

Pilamunga, J., & Ponce , C. (2018). *Advancement of International Public Sector Accounting Standards in Ecuador.* Available from https://n9.cl/1viu

Regulations of the Organic Law of the Comptroller General of the State. (2013). *Executive Decree 548.* Available from https://n9.cl/ijpk

Ryan, C. (1998*). The introduction of accrual reporting policy in the australian public sector: An agenda setting explanation.* Available from https://n9.cl/lso2

Sánchez , J., & Pincay , D. (2013). Public Accounting in Latin America and the Accrual in Ecuador. *Analítika, Journal of Statistical Analysis,* 6(2): 19-29. Available from https://n9.cl/mzvja

Vela , J. (1992). The new accounting of local entities and public accounting principles (II). The principles of the IGAE document and the instruction of accounting for the local administration. *Spanish Journal of Financing and Accounting.* 22(72). 653-673.