

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

<http://dx.doi.org/10.35381/r.k.v5i10.694>

La contabilidad gubernamental como herramienta de gestión de las instituciones públicas no financieras

Government accounting as a management tool for non-financial public institutions

Alicia Beatriz Saeteros-Molina
alicia.saeteros@psg.ucacue.edu.ec
Universidad Católica de Cuenca, Cuenca
Ecuador
<https://orcid.org/0000-0002-0711-6095>

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: 17 de marzo de 2020

Revisado: 11 de abril de 2020

Aprobado: 03 de mayo de 2020

Publicado: 19 de mayo de 2020

ABSTRACT

The objective of the research was to design an accounting management model that would allow decision-making in the Municipal Decentralized Autonomous Government (DAG) of the Canton Cuenca based on obtaining accounting information. Given the methodological nature of this work, it was descriptive with a non-experimental design. The results show that the financial decision-making of this institution corresponds to the Mayor as the highest authority, in coordination with the Financial Department; however, the entity needs to improve current procedures. In this sense, the proposed accounting management model contributes to covering this need, facilitating its application and the

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

optimal use of the financial information provided by accounting, which also serves as a management tool.

Descriptors: National accounting; public finance; social responsibility; political leadership. (Words taken from the UNESCO Thesaurus).

INTRODUCTION

The basic tool for ordering, registering and analyzing the activities carried out by non-financial public sector entities in Ecuador, is constituted by Government Accounting. These institutions must control the management of the resources assigned by the National Government so that each one of them fulfills the objectives for which they were created, that is, for the benefit of society.

For this reason, the Government of Ecuador defined the Ministry of Economy and Finance as the body that governs the finances of the public sector through a set of provisions and regulations based on the different laws and regulations. It seeks to achieve the efficiency and effectiveness of public entities for the improvement of records of the economic resources that each one of them has.

In this context, the analysis of this article focuses on the Municipal Decentralized Autonomous Government of the Cuenca Canton, whose headquarters are located in the city of Cuenca, Azuay province. This institution is a legal person of public law that has political, administrative and financial autonomy, integrated by the functions of citizen participation; legislation and supervision destined to the exercise of the functions and competences that correspond to it (Municipal decentralized autonomous government of the Cuenca canton, 2016).

This research seeks to respond to the problem that represents the way to improve economic decision-making. So the objective of this study is to design an accounting management model that allows demonstrating that Government Accounting is the strategic tool that the Municipal Decentralized Autonomous Government has for the administration of its resources, as well as for decision-making and accountability of a financial nature.

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

METHODOLOGY

This study was carried out based on a descriptive type with a non-experimental design, by observing the variables without any manipulation. Also, documentary information related to Government Accounting and management of public entities and financial decision making was collected.

This work was focused on a cross-sectional design, since the analysis of the variables was carried out at a certain moment. With respect to the instruments, interviews were applied to the highest ranking officials of the Financial Directorate belonging to the Municipal Decentralized Autonomous Government of the Cuenca Canton.

RESULTS

The legal nature of the Municipal Decentralized Autonomous Government of the Cuenca Canton, currently in charge of the administration of the city is based on what is established by the Ministry of Policy Coordination and Decentralized Autonomous Governments, in article 53 of the Organic Code of Territorial Organization, Autonomy and Decentralization, (COOTAD, 2011).

In this document, the mission of the institution is aimed at promoting tax compliance of its citizens, strengthening their tax awareness through comprehensive process management. Taking advantage of new technologies and the human team, it has to provide a Service of excellence; likewise, it is seen contributing to the economic and social development of Cuenca in the future, being an ally of its taxpayers; it also established values such as: integrity, commitment, vocation for service and continuous improvement.

The General objective of the Municipal DAG focuses on the formulation of plans, projects, programs and policies aligned with the regulations that support the development of the Cuenca Canton. Among its main functions are to promote sustainable development, guarantee the good living of citizens and implement policies that build equity and inclusion. It is also in charge of cantonal planning, for which it

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

establishes the regulation of land use and urban planning; implements citizen participation and executes cantonal land development plans.

Its organizational structure recognizes the principle of hierarchy of functions, for which it has an advisory level; level of support; and, operational level, where the Finance Department is located. The entity has financial resources for its operation that come from its own management income as well as the transfers received from the general state budget. There are also other types of transfers, bequests and donations that have an amount of participation in the income from the exploitation of non-renewable natural resources; and, resources that it manages through financing.

On the other hand, the Financial Directorate is in charge of managing, administering and controlling the use and application of the financial resources established for the execution of plans, projects or programs of the Municipal DAG; at the same time, it has the obligation to provide the highest authorities with timely financial information for decision-making. This body is personified by the Chief Financial Officer who is responsible for the planning, organization, coordination and control of the institutional financial system; besides, he/she manages the budget of the institution, generates the financial statements and defines the internal accounting policy that facilitates reports for internal - external users; among several others.

The Financial Directorate of the Municipal DAG of Cuenca Canton, through Government Accounting, classifies, systematizes, orders, registers and controls all economic events that represent rights to receive resources or that constitute an obligation to deliver those resources. In addition, it produces reliable financial information through financial statements, which are registered in the system established by the Ministry of Economy and Finance. Likewise, it generates a large amount of documentation that supports the transactions, which due to its volume sometimes causes problems for managing it.

Regarding the financial decision making of this institution corresponds to the Mayor, as the highest authority in coordination with the Financial Directorate. However, this agency has a medium level of autonomy that is governed by guidelines from both the highest authority, as well as the availability of the budget and the liquidity available. The risks

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

that financial decision-making may generate are mitigated by carrying out sensitivity and risk analyzes, using estimation flows and scenarios. At the moment, the entity is improving the procedures implemented for making financial decisions, which has been of vital importance due to the need for funding and payment of a large burden of accounts payable encountered by the current administration.

The set of evidence collected also allowed demonstrating, in this same context, that for making a decision the financial situation of the institution is always taken into account, that is, the availability of funds to prioritize resources with an evaluation of the cost benefit. It was also relevant that in the entity hasty decision making is ruled out by putting personal interests first; therefore, the Finance Department tries to comply with the provisions of the law and current regulations.

PROPOSAL

The results obtained in the diagnostic phase led to the design of an accounting management model for the Municipal Decentralized Autonomous Government of Cuenca, the same that can be used by similar institutions in Ecuador. Its structure is as follows:

Component 1.- Financial, budgetary and equity integration: Considering that the governing body of public finances and the Ministry of Economy and Finance ordered the implementation of the International Accounting Standards for the Public Sector IPSAS in all institutions, its adoption corresponds to the Municipal Decentralized Autonomous Government of Cuenca, therefore, its accounting information must apply the general account catalog following these steps:

- a) In the use of inventories in projects and programs, accounts 751.38 and 752.38 will be affected.
- b) On the other hand, in purchases for projects and programs, the account to be used will be Provision and allocation to the budget in the accounting record.

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

c) The insertion of the inventory investment expense into the final product will be recorded by debiting the account of the subgroup.

Component 2.- Strengthening and deepening of the content of financial information (FI): To achieve this goal, the entity must contain qualitative characteristics, that is, the attributes that allow financial information to be useful for its users and also provide place to the achievement of its objectives focused on giving useful information for accountability and decision-making.

Component 3. - Quality assurance of financial information: with the aim of having a more prospective vision about financial information of the Municipal DAG, it must not only converge towards the IPSAS but also face the great phenomenon of globalization in the accounting aspect.

Component 4. - Strengthening of planning, execution, control, evaluation and inspection tasks: Although the entity applies internal control standards, it is essential to implement an updated assessment according to the changes it will face in order to obtain the information that will become the main input for accountability and decision-making.

Component 5. - Design of schemes that support government management in decision-making: Once the accounting information is obtained, visible through the different financial statements and the Financial Coordination, it will allow having the criteria and sufficient bases for making the most convenient decisions to optimize the resources, as well as to verify compliance with the obligations contracted for achieving the objectives formulated.

Component 6. - Promoting transparency and accountability: The implementation of the accountability mechanism is proposed through Participatory Public Hearings, which are popular acts of dialogue between the institution and social organizations, citizens and public servants. It will have the objective of promoting and evaluating the dialogue on the institutional management and the fulfillment of the responsibilities, policies and plans executed during this period, thus guaranteeing the right of the citizens.

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

Component 7. - Inhibition of illicit practices and corruption: The social, political and economic phenomenon, which affects almost all the countries of the world, is called corruption, an evil that damages democratic institutions, slows down economic development and contributes to generating political instability, by virtue of what has been stated. It is essential that the Municipal DAG of the Cuenca Canton adopts a policy that fights this evil that affects its servers, suppliers and citizens in general.

Although the implementation of a standard is not a guarantee that bribery, illicit practices and corruption itself will not occur, it is essential that the entity commits itself and adopts clear measures to combat corruption for promoting an anti-bribery culture and that works to prevent conflict of interest.

DISCUSSION

Government Accounting in Ecuador has been considered a main component of the control system of public sector entities and its purpose is to maintain a uniform and unique accounting system as well as timely, reliable and complete financial information, which allows accountability and decision-making by managers and also links financial, budgetary, property and cost operations, based on generally accepted accounting principles applicable in such public sector (Ministry of Economy and Public Finance, 2010). This is described in the article 148 of the Organic Code of Planning and Finance and is closely related to the Government Accounting conceptualization proposed in the Organic Law of the General State Comptroller's Office, specifically, in article 13.

For its part, the Ministry of Economy and Finance, in its capacity as the governing body of public finances, is making efforts so that the government accounting system complies with the requirements of international regulations. With that purpose, it has made updates of the technical regulations that govern it, as well as the design of an instruction manual for convergence to International Public Sector Accounting Standards (IPSAS), which must be applied by all the institutions that make up the non-financial public sector. It is also important to note that the Municipal Decentralized Autonomous Government of the Cuenca Canton is responsible for meeting the regulations that control its actions; in

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

this sense, the entity needs to make changes in the accounting aspect necessary for the adoption of IPSAS, since accounting has become an essential registration system for the institution and it should be adapted according to its evolution until it becomes a management tool that generates useful information for both decision-making and accountability processes.

With these considerations in mind, this research proposes the application of the accounting management model that will allow the entity to stay at the forefront in obtaining its financial information, as well as in the processes that involve decision-making respect to its economic resources, transparency and accountability.

FINANCING

Non- monetary.

ACKNOWLEDGEMENTS

To the authorities of the Financial Directorate of the Municipal Decentralized Autonomous Government located in Cuenca Canton for their support in carrying out this investigation.

REFERENCES

- Constitution of the Republic of Ecuador (2008). *Title VI. Regime of Development*. Available from <https://n9.cl/hd0q>
- American Center for Development Administration (2008). *Iberoamerican Charter of Quality in Public Management*. Available from <https://n9.cl/7rgl3>
- Cuadrado- Samaniego, V. (2015). Strategies for the Scope of Citizen Participation: in the formulation of cultural public policies from the secretary of culture in Quito metropolitan district. Available from <https://n9.cl/9aj8>
- Curzio, L. (1998). *Decision making*. Available from <https://n9.cl/24zy>

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

- Espinoza-Ortega, A., Narváez-Zurita, C., & Erazo-Álvarez, J. (2019). Government control through management audit under the axes of transparency, accountability and citizen participation. *CIENCIAMATRIA*, 5(1), 533-550. <https://doi.org/10.35381/cm.v5i1.279>
- International Federation of Accountants IFAC. (2018). *Normas International Public Sector Accounting Standards IPSAS*. Available from <https://n9.cl/92yy7>
- Freire-Romo, G. (2009). *The Government Accounting of Ecuador and its Environment*. Available from <https://n9.cl/kmyi>
- García-Sánchez, I. M. (2007). *New public management: evolution and trends*. Available from <https://n9.cl/8v55w>
- González-Andrade, L., Narváez-Zurita, C., & Erazo-Álvarez, J. (2019). Government audit and its impact on institutional management and administration of public resources. *CIENCIAMATRIA*, 5(1), 474-501. <https://doi.org/10.35381/cm.v5i1.277>
- Municipal decentralized autonomous government of the Cuenca canton (2016). *Accountability process 2016 - DAG of the Cuenca canton. Report presented to citizens based on citizen consultation*. Available from <https://n9.cl/9wdzr>
- Hernández, R., Fernández, C., Baptista, P. (2014). *Investigation methodology*. México: Editorial Mc – Graw – Hill Interamericana. Sixth edition.
- Jara-Iñiguez, I. (2019). *Transparency and New Public Management in Ecuador*. Available from <https://n9.cl/t5di>
- Medina-Castillo W., & Morocho-Román, Z. (2015). *Government Accounting. Machala, Ecuador: Technical University of machala*. Available from <https://n9.cl/howz>
- Ministry of Economy and Finance. (2016). *Principles and Technical Standards of Government Accounting. Agreement 0067*. Available from <https://n9.cl/jk2c>
- Ministry of Economy and Public Finance. (2005). *Government Accounting Manual*. Available from <https://n9.cl/ne5u1>
- Ministry of Economy and Public Finance. (2010). *Organic Code of Planning and Public Finance*. Available from <https://n9.cl/vf6x>

Alicia Beatriz Saeteros-Molina; Cecilia Ivonne Narváez-Zurita; Juan Carlos Erazo-Álvarez

Murillo-Apolo, L., Narváez-Zurita, C., & Erazo-Álvarez, J. (2019). Internal control system with focus on ISO 9001: 2015 in Monterrey banana plantation. *Koinonía Interdisciplinary peer-reviewed Journal*, 4(2), 241-264.
<http://dx.doi.org/10.35381/r.k.v4i2.474>

Official Register Supplement 595 de 12-jun.-2002. *Organic Law of the Comptroller General of the State 2002*. Available from <https://n9.cl/evnm>

Official Register Supplement 383 de 26-nov.-2014. *Organic Code of Planning and Public Finance*. Available from <https://n9.cl/96gc>

© 2020 by the author. This article is open access and distributed under the terms and conditions of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International license (CC BY-NC-SA 4.0) (<https://creativecommons.org/licenses/by-nc-sa/4.0/>).