

Chapter 4

The Process of Modernization of the Public Accounting Systems in the Central American Countries

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ABSTRACT

With the purpose of increasing the quality of public financial information, improving decision-making, transparency and accountability processes, the countries of the Central American region have made substantial efforts to improve their governmental accounting systems. For this reason, most countries have chosen to implement the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC). This process has been enhanced by the impulse of international financial organizations that aim to these countries advancing their government financial management practices. In this context, the objective of this research is to define the IPSAS implementation processes in the countries of Central America as well as to analyze the main elements of the environment that are in favor or against this process, as indicated by Professor Lüder's Contingency Model.

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1. INTRODUCTION

The public sector is currently undergoing a reform process aimed at making public management an efficient and effective instrument, in which transparency and accountability prevail (Deaconu et al., 2011). Public accounting information systems are not detached from this modernisation process; indeed, they are key elements within it (Lombrado & Zanin, 2013).

The aim of accounting reform is to transform government accounting from a system that is scarcely informative into one offering comprehensive and reliable information about public finance and providing a foundation to improve the financial control of government activities, i.e. into an accounting system which is more informative and useful for decision-making and accountability (Lüder, 1992).

In this regard, the introduction of accrual-based government accounting should be linked to the implementation of a more informative accounting system, one which provides more and/or better information; in other words, one that gives an accurate picture of management activities and results (Lüder, 2001). Authors such as Caba et al. (2009), Chan et al. (1996) Ouda (2001, 2004) or Brusca and Martinez (2016), describe the introduction of accrual-based accounting and, therefore, the implementation of the International Public Sector Accounting Standards (IPSAS), as a total, radical innovation of government accounting systems because, among other benefits, it enables accounting systems to provide greater utility (Lüder, 1992).

These reforms acquired an international focus in 2001, when the International Federation of Accountants (IFAC), through its Public Sector Committee, published IPSAS, to provide an international regulatory framework, requiring high-quality financial information and facilitating convergence between international and national standards, thus improving the quality and standardisation of financial information worldwide (IFAC, 2007; Christiaens et al., 2014).

International organisations such as the OECD, NATO and the EU have already adopted IPSAS (Christiaens et al., 2010), and others, such as the IMF and the World Bank, have urged governments (especially those of developing countries) to adopt them (Chang et al., 2008).

Reforms in government accounting systems, which include the implementation of the IPSAS, have spread to Latin-American countries (Brusca et al., 2016). Thus, in recent years, the countries of Central America – Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama – have reformed their public financial management systems, to provide high-quality, reliable and timely information, thus benefiting decision-making, enabling compliance with the recommendations of financial and international cooperation institutions, and improving transparency and accountability (Araya et al., 2011).

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