

**THE APPLICATION OF INTERNAL CONTROL STANDARDS 407 AND THE IMPACT  
ON THE ADMINISTRATIVE MANAGEMENT OF HUMAN TALENT IN THE  
MUNICIPAL DRINKING WATER AND SEWERAGE  
COMPANY OF DURÁN EMAPAD – EP 2019 – 2020**

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**ABSTRACT**

Internal control is a very important process for the efficient management of resources within organizations, both private and public or mixed, being the absolute responsibility of the different entities and government agencies, included in Article 225 of the Constitution of the Republic of Ecuador, the application of internal control standards, which are formulated by the General Comptroller of the State. This control allows you to make decisions to achieve your goals and comply with Good Living. The Office of the Comptroller General of the State, through the Internal Control Standards, provides a set of tools to achieve, among other things, greater transparency, effectiveness and efficiency in institutional activities; reduce the risks of corruption; achieve the established objectives and goals; have reliable and relevant information; stimulate the application of values; By virtue of that, the administration of the Municipal Potable Water and Sewerage Company of Durán has the opportunity to guide or improve its activities towards compliance with the Internal Control Standards, and the institutional objectives and plans. The object of study of this

research work is the application of Standard No. 407, the same one that controls that human talent is efficiently administered through the Internal Control Standards issued by the State Comptroller General, and the field of study is Public Administration. The methodology to be applied is the case study; starting from the generalities of the control norms, to the particularity of their applicability in the management of human talent.

**Keywords:** public administration, internal control standards, human talent management, operational staff, administrative staff

## INTRODUCTION

The Duran Municipal Potable Water and Sewage Company is an institution with legal status under public law, with its own assets and freedom of management, budgetary and financial freedom. Its corporate purpose is to provide public drinking water and sewerage services for the canton of Duran and its rural parishes under the principles of universality, quality, efficiency and effectiveness.

To carry out this service, Duran provides water through 7 wells located in the Chobo parish of the Milagro canton, 38 kilometers away.

The hiring and control of EMAPAD-EP staff is carried out in accordance with the Public Service Law and its Regulations for administrative staff and the Labor Code for operational staff.

The mission of the Office of the Comptroller General of the State (2020) is “To control public resources to ensure their efficient use for the benefit of society” (para. 1), and thus Human Resources is one of the main resources to be controlled. Internal Control Standard 407 - Administration of Human Resources is in charge of determining the guidelines for an efficient administration of the Institution’s human resources, and this work focused on the fact that Duran Municipal Potable Water and Sewage Company has established the appropriate policies and procedures for its correct and efficient administration.

According to the Comptroller General’s Office, the Internal Control Standards are divided into: 100- 00 General Standards, 200-00 Control Environment, 300-00 Risk Assessment, 400- 00 Control Activities, 500-00 Information and Communication, 600-00 Monitoring, and Standard 407- 00 Human Resources Management, being this standard the objective of this study that analyzed the application of the same in the Municipal Water and Sewerage Company of Duran.

Therefore, analyzing the incidence in the application of Standard 407 - Human Resources Management and its 10 titles in the Duran Municipal Potable Water and Sewage Company in the period 2019 - 2020, will allow to take as a reference of analysis to evaluate the incidence in other cantons with the similar characteristics of the canton Duran, and thus be able to take the recommendations that are intended to be determined in this study.

The 10 headings of Standard 407 are as follows:

407-01	Human Resources plan
407-02	Job Classification Manual
407-03	Recruitment of staff
407-04	Performance evaluation
407-05	Promotions and advancement
407-06	Continuing education and training
407-07	Staff rotation
407-08	Servant performance and honesty
407-09	Staff attendance and retention
407-10	Updated staff information

## **METHODOLOGY**

The development of this research was based on a qualitative design, which focused on understanding and deepening the application of the Internal Control Standard of the Comptroller General's Office No. 407 - Administration of Human Resources in the Public Company of Drinking Water and Sewerage of the Duran canton, exploring it from the perspective of the Directors of the public company, as well as active participants in the administration of Human Resources.

The methodology used was descriptive and correlational. Descriptive research studies the participants, subjects, variables that are part of an investigation or in a given situation. This type of research can use both qualitative and quantitative approaches. Therefore, a researcher can use three main ways to select and examine data: case studies, observations and surveys.

In the case of the present study, the methodology is descriptive because it seeks to describe the incidence caused by the application of Standard 407 in the administration of Human Resources at EMAPAD-EP and it is correlational because we are going to link this incidence with the efficiency and effectiveness of administrative management. The empirical methods used for the present work were the surveys conducted with the managers, administrative and operational staff of the Institution.

The professional methods included an analysis of the application of the Standard in the area of Human Resources of the public company.

Inductive - deductive: this method to make conclusions and generalizations from the singular of the process of practices and the essential links of the educational theory in the classroom. To verify whether or not the idea to be defended is fulfilled, through argumentation, reflection and interpretation of the research techniques and their effectiveness, in correspondence with the type of descriptive research.

Documentary research was used to review the documents that rest in the Department of Extension Practices in Quevedo. Bibliographic method that allowed the review of scientific documents such as: books, scientific articles, laws, regulations, etc.

## RESULTS AND ANALYSIS

Once the characteristics of the respondents were detailed, we proceeded to analyze the results of the study variables, specifically Standard 407, each of which was analyzed.

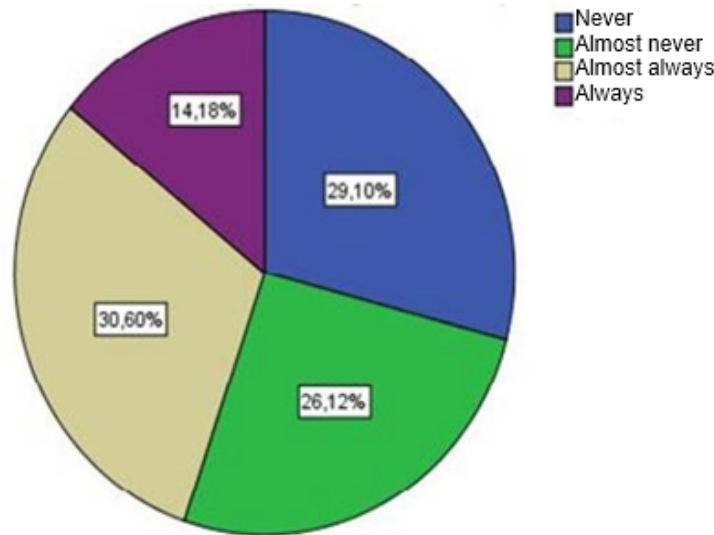
The answers to the surveys were tabulated in order to know the criteria that EMAPAD-EP employees have regarding the application of Standard 407 of the Office of the Comptroller General of the State, which refers to Human Resources Management. Each of the questions obtained different criteria among the employees, which means that while for one group it has a positive impact, for another group it has a negative impact, and there are two other groups for which it has little or a lot of importance.

**Table #1 Question 1.** Is the operational capacity of the different directorates analyzed and staff diagnosed?

Answer	Frequency	%
Never	39	29,10
Almost never	35	26,12
Almost always	41	30,60
Always	19	14,18
Total	134	100,00

**Source:** Prepared by the authors with data from EMAPAD staff.2021.

**Graph 1.** Employees’ perception of the analysis of the operational capacity of the different departments and staff.



**Source:** Prepared by the authors with data from EMAPAD staff.2021.

14.18% of the respondents indicate that the operational capacity of the different directorates is always analyzed and 30.60% indicate that it is almost always, that is, 44.78%, less than half, indicate that the operational capacity of the different directorates is analyzed.

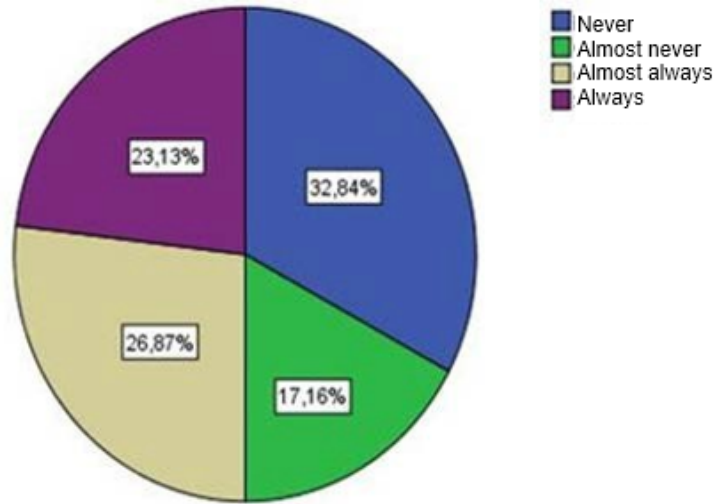
**407-02 Job Classification Manual**

**Table # 2 Question 2.** Does the Human Resources area manage the Job Classification Manual according to its performance and remuneration levels?

Answer	Frequency	%
Never	39	29,10
Almost never	35	26,12
Almost always	41	30,60
Always	19	14,18
Total	134	100,00

This table shows the frequency of public servants who indicated the number of times the Human Resources area handles the job classification manual according to their performance and remuneration levels.

**Graph 2.** Does the Human Resources area manage the Job Classification Manual according to its performance and remuneration levels?



Prepared by: Author

23.13% of the respondents indicated that they always use the Job Classification Manual and 26.87% indicated that they use it almost always, that is, 50.00% indicated that they use the Job Classification Manual.

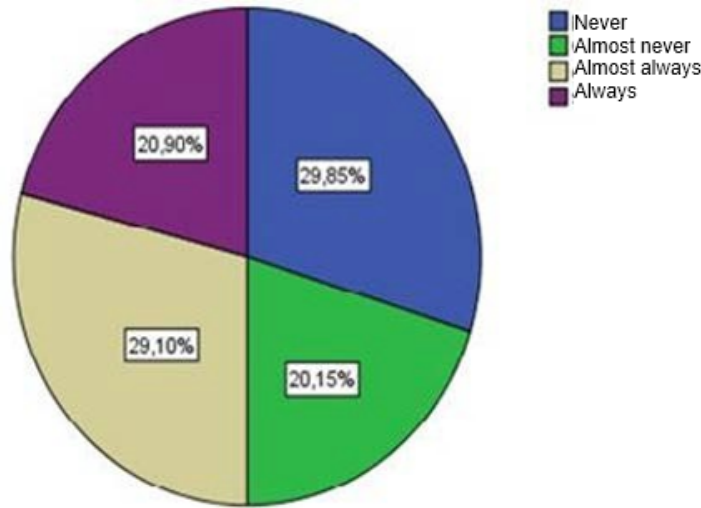
#### 407-03 Incorporation of staff

**Table # 3 Question 3.** Do you believe that the hiring of staff is done by means of a call for applications, evaluation and selection in accordance with the profile required by the company?

Answer	Frequency	%
Never	40	29.85
Almost never	27	20.15
Almost always	39	29.10
Always	28	20.90
Total	134	100.00

**Note:** This table shows the frequency of public servants who indicated the times in which they believe that the incorporation of staff is carried out by means of call, evaluation and selection according to the profile required by the company.

**Graph 3.** Do you believe that the incorporation of staff is carried out through a call for applications, evaluation and selection according to the profile required by the company?



**Prepared by:** Author

20.90% of the respondents indicated that the incorporation of staff is always done through call, evaluation and selection, while 29.10% indicated that it is almost always done, that is, 50.00% indicated that incorporation is done through call, evaluation and selection.

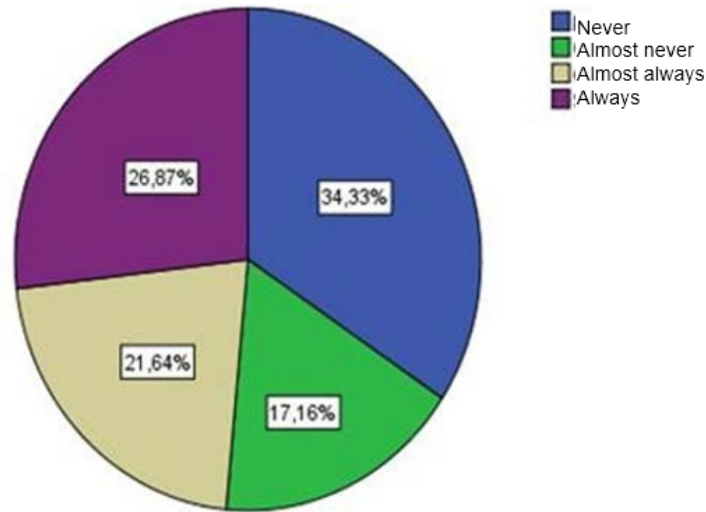
**407-4 Performance evaluation**

**407-5 Table # 4.** Question 4 Does the Human Resources area perform performance evaluation according to performance and productivity?

408	Answer	Frequency	%
	Never	46	34.33
	Almost never	23	17.16
	Almost always	29	21.64
	Always	36	26.87
	Total	134	100.00

**Note:** This table shows the frequency of public servants who indicated the number of times in which the Human Resources area performs performance evaluation according to their performance and productivity.

**Graph 4.** Does the Human Resources area perform performance evaluation according to performance and productivity?



Prepared by: Author

26.87% of the respondents indicate that performance appraisal is always done according to their performance while 21.64% indicate that almost always, that is, 48.51%, less than half, indicate that incorporation is done through performance appraisal according to their performance.

#### 407-05 Promotions and Advancement

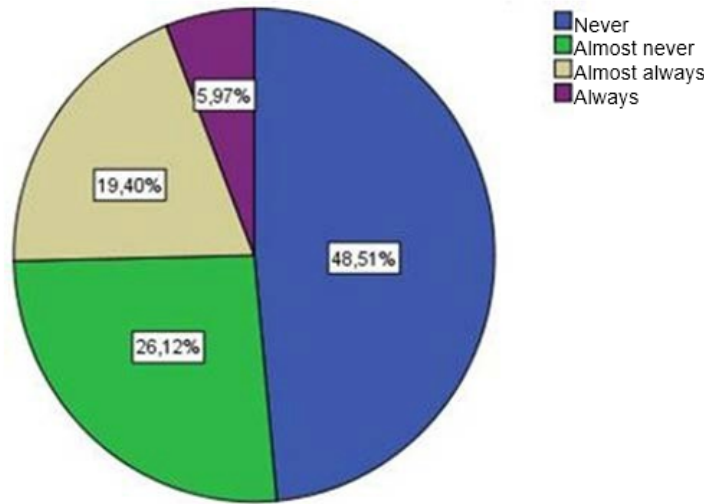
**Table # 5 Question 5** Does the Human Resources area grant promotions or advancements to the company's staff?

Answer	Frequency	%
Never	65	48.51
Almost never	35	26.12
Almost always	26	19.40
Always	8	5.97
Total	134	100.00

**Note:** This table shows the frequency of public servants who indicated the times in which the Human Resources area grants promotions to the company's staff



**Graph 5.** Does the Human Resources area grant promotions or advancements to the company’s staff?



Prepared by: Author

5.97% of the respondents indicated that they always give promotions or advancements to the staff, while 19.40% indicated that they almost always, that is, 25.37%, only a quarter of the staff, indicated that promotions or advancements are given to the staff.

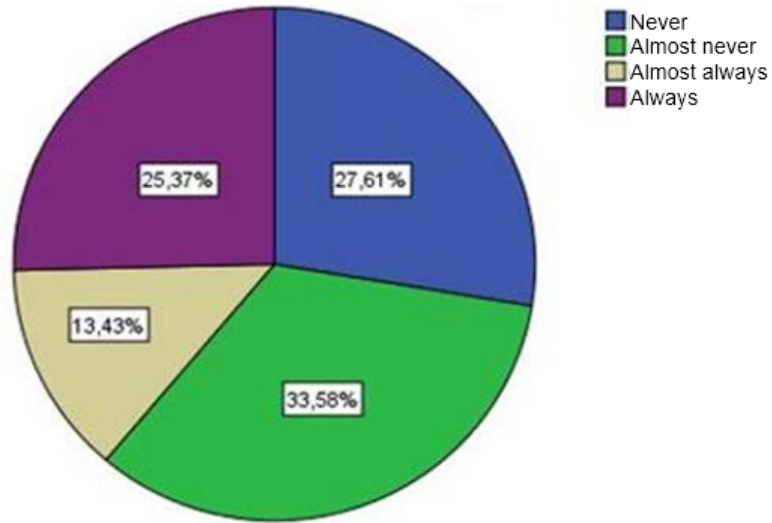
**407-6 Continuing education and training**

**Table # 6 Question 6.** Do the staff receive training to improve the quality of their work?

Answer	Frequency	%
Never	37	27.61
Almost never	45	33.58
Almost always	18	13.43
Always	34	25.37
Total	134	100.00

**Note:** This table shows the frequency of public servants who indicated the number of times the staff receives training to improve the quality of their work.

**Graph 6.** Do the staff receive training to improve the quality of their work?



Prepared by: Author

25.37% of the respondents indicate that they always receive training to increase the quality of work, while 13.43% indicate that they almost always, i.e. 38.80%, less than half of the staff, indicate that they receive training to increase the quality of work.

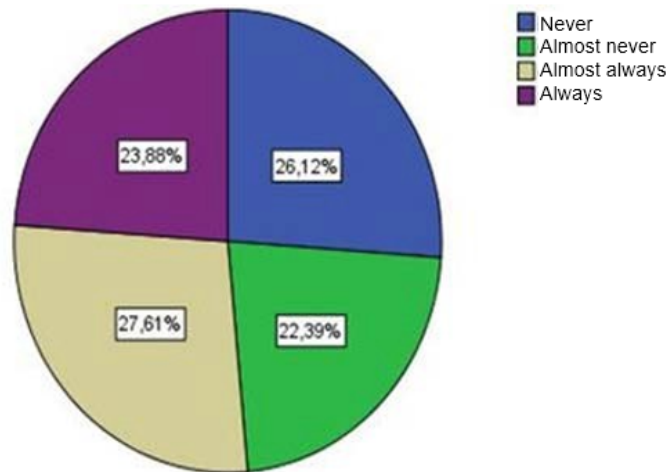
**Staff rotation**

**Table # 7 Question 7.** Do you consider that staff rotation reduces the risk of errors, administrative deficiencies and misuse of resources?

408	Answer	Frecuency	%
	Never	37	27.61
	Almost never	45	33.58
	Almost always	18	13.43
	Always	34	25.37
	Total	134	100.00

**Note:** This table shows the frequency of public servants who indicated whether they consider that staff rotation reduces the risk of errors, deficiencies and misuse of resources.

**Graph 7.** Do you consider that staff rotation reduces the risk of errors, administrative deficiencies and misuse of resources?



Prepared by: Author

23.88% of the respondents consider that rotation decreases the risk of errors, while 27.61% indicate that almost always, i.e. 51.49%, a little more than half of the staff, consider that rotation decreases the risk of errors.

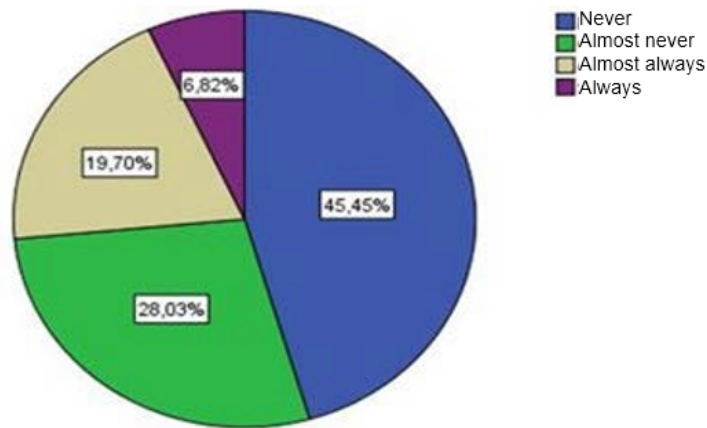
#### 407-08 Performance and honesty of civil servants

**Table # 8 Question 8.** Do you know of cases in the company of employees who have acted against the principles of honesty and professionalism?

Answer	Frecuency	%
Never	60	44.78
Almost never	37	27.61
Almost always	26	19.40
Always	9	6.72
Lost	2	1.49
Total	134	100.00

**Note:** This table shows the frequency of public servants who indicated whether they know of employees in the company who have acted against the principles of honesty and professionalism.

**Graph 8.** Do you know of any cases in the company of employees who have acted against the principles of honesty and professionalism?



Prepared by: Author

6.82% of the respondents indicate that they know of cases of employees who have acted against their own principles of honesty and professionalism, while 19.70% indicate that they almost always, i.e. 26.52%, a quarter of the staff, indicate that they know of cases of employees who have acted against their own principles of honesty and professionalism.

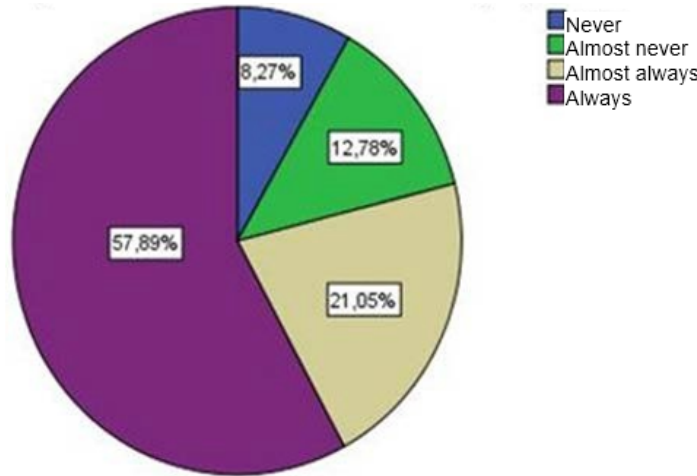
#### Staff attendance and tenure

**Table # 9 Question 9.** Does the Human Resources management control the attendance and permanence of its employees based on the appropriate procedures and mechanisms?

Answer	Frecuency	%
Never	11	8.21
Almost never	17	12.69
Almost always	28	20.90
Always	77	57.46
Lost	1	0.75
Total	134	100.00

**Note:** This table shows the frequency of public servants who were asked if the Human Resources department controls the attendance and permanence of its public servants based on the appropriate procedures and mechanisms.

**Graph 9.** Does the Human Resources management control the attendance and permanence of its employees based on the appropriate procedures and mechanisms?



Prepared by: Author

57.89% of respondents indicate that Human Resources monitors employee attendance, while 21.05% indicate that they almost always, i.e. 78.94%, more than 3/4 of the staff indicate that Human Resources monitors employee attendance.

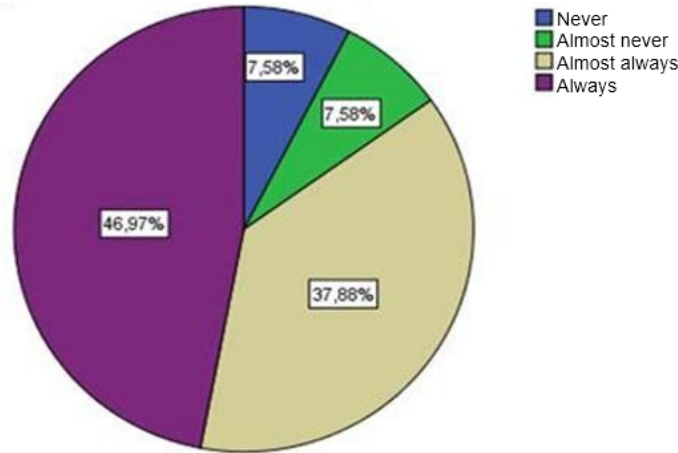
**407-10 Updated staff information**

**Table # 10 Question 10.** Does the Human Resources department keep track of the files of the entity’s employees?

Answer	Frecuency	%
Never	10	7.46
Almost never	10	7.46
Almost always	50	37.31
Always	62	46.27
Lost	2	1.49
Total	134	100.00

**Note:** This table shows the frequency of public servants who were consulted if the Human Resources department keeps track of the files of the entity’s public servants.

**Graph 10.** Does the Human Resources department keep control of the files of the entity’s employees?



**Prepared by:** Author

46.97% of the respondents indicate that Human Resources keeps track of employee files, while 37.88% indicate that almost always, i.e. 84.85%, almost all staff indicate that Human Resources keeps track of employee files.

**Contrasting Hypotheses Table # 11.**

**Table # 11.**

Reliability statistics	
Cronbach's Alpha	No. of elements
0,860	15

**Prepared by:** Author

The Cronbach’s alpha index of the research is 0.860 which means that the information from the 15 questions asked and answered by the respondents is reliable.

Therefore, to contrast the hypothesis of the study which states:

There is a direct or positive relationship between the application of Internal Control Standards 407 and the incidence in the administrative management of Human Resources of the Duran Municipal Potable Water and Sewage Company 2019 - 2020.

The following steps were developed:

1. Approach:

Ho: There is no direct or positive relationship between the application of Internal Control Standards 407 and the impact on the administrative management of Human Resources of the Duran Municipal Potable Water and Sewage Company 2019 - 2020. Ha: There is a direct or positive relationship between the application of Internal Control Standards 407 and the impact on the administrative management of Human Resources of the Duran Municipal Potable Water and Sewage Company 2019 - 2020.

2. Significance level:  $\alpha = 0.05$  (95% confidence level).

3. Criteria for contrast:

$p\text{-value} < 0.05$ , Ho is rejected and Ha is accepted.

$p\text{-value} \geq 0.05$ , the Ho is accepted.

**Table # 12.**

**Pearson's Correlation for the Research Hypothesis**

Variables		Dependent: Incidence of application of Standard 407
Independent:	Correlation	0,569**
Application of Standard 407	Significance	0,00

\*\* . Correlation is significant at the 0.01 level (bilateral).

**Prepared by:** The author

The value obtained for the correlation coefficient is 0.569; with  $p=0.00 < 0.05$ , which indicates that there is a correlation between both indicators, so the Ho should be rejected and the Ha accepted.

**DISCUSSION OF RESULTS**

**Empirical contrast:**

The Research determined that there is a direct relationship between the application of Standard 407 and the incidence of this in the management of Human Resources since in this study it was evidenced that the Human Resources Management of EMAPAD-EP is not fully applying Standard 407 from 01 to 10 which has led to a negative impact on employees since according to part of the sample there is a group of employees who do not fully comply with their responsibilities, that they lack commitment to the company, that they feel insecure about job stability, that not all of them are constantly trained, that they do not know the company's procedures, that they indicate that Human Resources does not apply the functions manual, that they also indicate that Human Resources does not comply with its objectives, among other things. Therefore, since the variables are directly

related, this means that if the standards are applied correctly, they will have a positive impact on the management of Human Resources.

Consequently, and despite the findings obtained in the study that determined that EMAPAD-EP is not correctly applying the 407 Standards and therefore currently has a small negative impact on the management of Human Resources, so there is a direct relationship, then, the hypothesis that there is a direct or positive relationship between the application of the 407 Internal Control Standards and the impact on the administrative management of Human Resources of the Duran Municipal Potable Water and Sewage Company 2019 - 2020 is accepted.

The results obtained are related to the conclusions of Moreira (2015) who concludes that internal control is one of the elements that should always be present in the processes carried out within a company and it is necessary to evaluate the technical and administrative processes in order to meet the objectives of the institution.

Similarly, the results of the tabulation also showed data with negative incidences in each of the 407 Standards, as is the case of the Standards

- 407-02 Job Classification Manual,
- 407-04 Performance evaluation,
- 407-05 Promotions and advancement, and,
- 407-10 Updated staff information.

The results of Standard 407-02 Job Classification Manual showed that 32.84% indicated that the Human Resources Unit does not handle the Job Classification Manual according to their performance or remuneration levels, and 17.16% indicated that it almost never handles it. Consequently, 50.00% indicated that the Job Classification Manual is not handled well, and this means that this Standard is not handled adequately, which has a negative impact on the company.

These results are consistent with the conclusions of Massuh (2015) in which he indicates that a company without a Job Classification Manual, the worker does not know the functions he has to perform and consequently is unaware of his duties and responsibilities.

The results of Standard 407-04 Performance Evaluation showed that 34.33% indicate that performance evaluation is not performed and 17,16,15% indicate that they almost never do



evaluation, consequently, 51.49% indicate that there is no performance evaluation, and this means that not all staff are evaluated to know if the performance is in accordance with their performance and productivity, which negatively affects the company since it is not known if these employees are trained to perform their duties.

These results obtained are consistent with what was concluded by Fadiana (2018) who points out that this Standard that regulates performance evaluation must be complied with because it allows correcting situations detected in a given process and also let us see the importance of having an efficient evaluation system.

The results of Standard 407-05 Promotions and advancements showed that 48.51% of the employees indicate that Human Resources does not grant promotions or advancements to employees, and 26.12% indicate that it almost never grants promotions, consequently, 74.63% of the respondents indicate there are no incentives, and this means that most of the company's staff is not promoted or does not have incentives, and this causes their performance to decrease.

These results obtained are consistent with what Moreira (2015) concluded that there should be incentives for the staff in order to improve their productivity and increase their performance.

The results of Standard 407-10 Updated information of the staff showed that 7.58% indicate that the Human Resources unit does not control the staff files, and 7.57% indicate that they almost never control, consequently, only 15.15% indicate that they do not control the staff files, and this means that Human Resources does keep good control of the staff files.

These results are consistent with the conclusions of Bonoso (2015) and Loor (2014) who mention in their studies that it is important to have a good control of employee files in order to have the necessary information for the authorities of the institution and the control entities.

The weaknesses evidenced in each of the Human Resources management indicators studied reflect that there is no strict control by the immediate superior body to follow up on the effective execution of the Human Resources Plan; consequently, the Human Resources management area does not feel pressure in the fulfillment of its functions.

These weaknesses found in the present study already exist in other public institutions, in view

that, Moreira (2015), among the findings made in his study “Evaluation of compliance with the technical standard of internal control 407 and its impact on the processes of Human Resources of the General Hospital Jipijapa” points out that there is no control in Standard 407 both by the area of Human Resources and the superior body to follow up on compliance with the Human Resources Plan, Therefore, these weaknesses will always occur if there is no control in the application of the Standards by the authorities above Human Resources, since there are servers responsible for the execution of the same who do not strictly comply with their functions if they are not supervised.

## **CONCLUSIONS**

The research of primary and secondary information showed that not all the titles that correspond to Standard 407 have studies done to each one of them but only to a few of them, which are: Standard 407-02 “Job Classification Manual”, Standard 407-04 “Performance Evaluation”, Standard 407-05 “Promotions and Advancements” and Standard 407-10 “Updated staff information”.

The information analyzed from the research determined that there are shortcomings in EMAPAD-EP’s Human Resources management in view of the fact that employees’ perceptions on the application of Standard 407 are divided, about 50% have a positive perception and about the other 50% have a negative perception.

Based on the field research, in which reviews and analysis of documentation were carried out through applications of the methodology studied in this work, both in the administrative offices and in external facilities, it is established that the Standards 407 are being applied half-heartedly by those responsible for their application, and, in addition, the body above the Human Resources unit is not supervising their application.

The information provided by the respondents in the administrative offices and in the external facilities showed that the employees have different criteria regarding the application of Standard 407 and this leads to think that not all employees have the standard applied to them, consequently, this may create conflict among employees, especially those who have a negative perception of Human Resources management.

From the results obtained in the research, it was determined that EMAPAD-EP is not correctly applying the 407 Standards and therefore currently has a small negative impact on the management

of Human Resources, so there is a direct relationship, consequently, the hypothesis that “There is a direct or positive relationship between the application of the 407 Internal Control Standards and the impact on the administrative management of Human Resources of the Duran Municipal Potable Water and Sewage Company 2019 - 2020” is accepted. These results are consistent with the conclusions of Moreira (2015) who concluded that internal control is one of the parts that must always be present in all processes carried out within a company in order to achieve the objectives of the organization.

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