

Per Diem Management and Internal Control in the Modernization of the State in a Public Organization, 2024

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ABSTRACT

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Public organizations in Europe, Latin America and Peru face various problems that affect their efficiency, transparency, and management quality. According to the OECD (2023), 41% of European citizens do not trust their governments and 56% consider corruption to be widespread in the public sector. In Latin America, the situation is even more critical, with 79% of the population perceiving corruption as a serious problem and 53% being dissatisfied with the public services they receive. In Peru, corruption costs the country 10% of its annual GDP and that 87% of Peruvians disapprove of government management; as of May 2018, it had a corruption index of 53.9% and was considered a major problem in the country. This study has methodological justification, given that the instrument has been created to measure per diem administration, which will serve the institution to evaluate the per diem process that begins in the certification and concludes in the rendering; in addition, it will be important for future researchers to use this instrument or take it as a reference in their studies; likewise, the instrument has been created to measure the modernization of the State. As a result of the research, it was found that per diem administration and internal control had a significant impact on the modernization of the State in a public organization (Significance=0.000; chi*squared=39.701; Nagelkerke coefficient=0.268).

Keywords: Per diem management, internal control, modernization, public organization and corruption.

INTRODUCTION

The research data reveal a profound crisis of legitimacy and credibility of public organization, which is reflected in a low level of quality of life and less human development for citizens.

Per diem management in public organizations is an essential aspect for the proper use of public resources and accountability. However, there are several problems and challenges that affect the efficiency and transparency of this process in different regions of the world. In this regard, it has been detected that some European parliamentarians have used per diem allowances for personal purposes or have submitted false or irregular receipts. In Latin America, it has been observed that the rules and procedures for granting and verifying per diems are heterogeneous, complex and poorly articulated among public organizations (Huiman, 2022) [1]. In Peru, it has been reported that spending on per diems related to service commissions abroad increased by 28% between 2019 and 2020, despite the pandemic and the economic crisis.

Internal control in public institutions is a key aspect to ensure accountability, transparency and efficiency in the administration of state resources. However, several studies have shown the weaknesses and challenges faced by internal control systems in different regions of the world.

The general problem formulated is: What is the impact of per diem administration and internal control on the modernization of the State in a public organization 2024? and the specific ones are: What is the impact of the dimensions of per diem administration (management, culture and phases) and internal control on the modernization

of the State?

The general objective is: To determine the impact of per diem administration and internal control on the modernization of the State. Specific: To establish the incidence of the dimensions of per diem administration (management, culture and phases) and internal control in the modernization of the State in a public organization, 2024.

The general hypothesis to be demonstrated is: Per diem administration and internal control have a significant impact on the modernization of the State. Specific: The dimensions of per diem administration (management, culture and phases) and internal control have a significant impact on the modernization of the State in a public organization, 2024.

THEORETICAL BASIS

The theoretical framework of this research also addresses a series of contents, approaches and theories relevant to the three variables. First, it explains the per diem management variable.

Per diem administration plays a fundamental role in public management, encompassing the allocation and control of economic resources destined to employees who travel (within or outside the country) in fulfillment of their work responsibilities for some commissioned service.

To properly understand the scope of per diem administration, it is necessary to begin by defining the concept of this variable. According to the Ministry of Development and Social Inclusion (MIDIS) (2023), per diem administration is defined as the supervision and control of the process of allocation, use and reimbursement of funds for secondment expenses. This includes establishing clear policies, validating claims, tracking expenditures, ensuring compliance with regulations, and ensuring accurate accounting for reimbursement.

Likewise, the Superintendencia Nacional De Bienes Estatales (SBN) (2021) indicates that per diems refer to the economic funds that the commissioner receives for the purpose of covering expenses arising during the period of a service commission.

The request for per diem allowances for expenses incurred by a government employee for a work commission is frequently used in local, regional and central government, since they are given funds (money) that must then be substantiated (accounted for) -with documents- for the expenses incurred. Subsequently, the accounting area must perform the proper analysis of the accounts, and if necessary, know the information of the amount of money that the official must return. This entire process requires proper per diem administration, which will entail compliance with transparency, good will of the commissioned employees (people from the entity who need to travel on secondment) to follow the processes in the administration of per diems, training of workers on the responsibility to comply with the processes, adequate internal control and supervision, as well as efficiency in managing public resources (SBN, 2021).

An essential element to ensure transparency and accountability in the administration of per diems and expenses in general is to have accountability and a comprehensive audit, which become fundamental tools to support the legitimacy of such management, thus combating corruption (Cantos, 2019 [2]; Arévalo and Negrete, 2022).

There are two types of expenses for secondment in the entity under study: domestic and foreign. Within the country, the expenses considered are for fuels and fuels; airfare and transportation; per diems such as food, mobility and lodging; other expenses necessary for the execution of the commission. While, for commissions abroad, the following expenses are taken into account: tickets and transportation; per diems and allowances; other expenses (MIDIS, 2023). According to MIDIS (2023), three dimensions are considered in per diem administration: management, culture and phases. Per diem culture refers to the practices and policies related to commissioners' travel expenses. This includes the rules for the allocation and reimbursement of expenses, as well as the limits established to ensure proper use of public funds during official travel (MIDIS, 2023).

The expenditure execution phases refer to the process of expenses -of the commissioners- for food, lodging and mobility (used to travel to the place where the service commission will be carried out) (MIDIS, 2023).

According to MIDIS (2023), the phases of expenditure execution are 5: certification, commitment, accrual, drawn-paid and surrender. Certification is a management action designed to ensure that there is available and uncommitted budget (MIDIS, 2023). The commitment is the covenant or agreement between the commissioner and the entity (Soria and Soria, 2022 [3]; Ministry of Development and Social Inclusion, 2023). Accrual is defined as the

management process in which an obligation pending payment is recognized, originating from approved and committed expenditures, and which materializes once the appropriate documentation has been submitted to the competent authority (Superintendencia Nacional de Bienes Estatales, 2021 [4]; MIDIS, 2023).

Drawn refers to the determination of the method of payment, and this implies the need for a prior accrual; while paid refers to the completion or cessation of the expenditure (Soria and Soria, 2022 [3]; MIDIS, 2023). Whereas the efficiency and productivity theory focuses on the relationship between efficiency in per diem management and the overall productivity of the entity. The underlying premise is that efficient per diem management can increase productivity by ensuring that employees have the necessary resources to carry out their job responsibilities without hindrance or delay. The theory of public efficiency involves improving public service with reduced spending (Contreras, 2022) [5].

Secondly, the theoretical framework of internal control was addressed. Therefore, it is necessary to start with the definition of this variable. Wang et al. (2022) [6] defined internal control as a procedure created for the purpose of avoiding ethically questionable behaviors, such as fraud, theft and misappropriation of resources, which contribute to the increase in extreme poverty among the population and can give rise to legal implications for those involved in such actions.

Given the importance of internal control in national entities worldwide, states have established oversight systems comprising a set of policies, strategies, regulations and processes aimed at achieving effective administration of public organizations (Pérez and Barbarán, 2021 [7]; Castillo, 2018 [8]; Andrikopoulos and Ifanti, 2020 [9]; Piscoya and Camacho, 2022) [10]. Therefore, it can be stated that internal control is used by the State - in our country through the Office of the Comptroller General of the Republic (CGR) to check the proper use of economic resources, also to check that procedures are carried out in a transparent and efficient manner, thus preventing fraud, corruption and misappropriation of resources in public organizations. The CGR (2019) defines internal control in state entities as a series of policies, actions, plans, activities, regulations, records, organizational structures, processes and approaches, which are established in each state entity for the purpose of monitoring, controlling and validating the management, collection and use of state resources and assets.

The CGR (2019 and 2023), to evaluate internal control considers three dimensions: Organizational*culture, risk*management*and*supervision.

Organizational culture (first dimension) is composed of 2 important aspects: control-environment and also information*communication. It also fosters the creation of an environment conducive to achieving institutional objectives. This implies that the institution seeks to strengthen its management through well- designed organizational structures, transparent assignment of responsibility, the implementation of optimal means of communication, the establishment of procedures to recruit and retain competent employees, and the creation of a favorable internal environment for the adoption of appropriate practices, ethical values and standards of conduct (Office of the Comptroller General of the Republic, 2019). Also, Padrón, et al. (2019) [11] refer that, the cultural aspects of the workers within each entity are reflected in their beliefs, values, collective practices, knowledge, skills and perspectives, which influence the processes of learning, innovation, knowledge management, as well as the behaviors of the collaborators, constituting as a whole the organizational culture. Likewise, Migaleva et al. (2022) reinforce the idea that workers' values are the essence of organizational culture.

The control environment is part of the organizational culture axis and is oriented to the promotion of ethical values, demonstration of independence from higher management at the time of supervision, having competent professionals and clarity in the responsibilities of workers (CGR, 2019). For Diaz (2022), the control environment refers to the creation of an environment within the institution that promotes the adoption of positive actions, appropriate values, rules and desirable behaviors; the objective is to raise awareness among the entity's workers and promote the culture of internal control; These experiences help to establish and strengthen internal control policies and procedures that help to achieve institutional objectives and shape the organizational culture around control; it is essential that the leader, staff members and all members of the institution recognize the importance of their attitude toward internal control, since this attitude influences the organizational environment and has a positive impact on the behavior of the staff as a whole.

Risk management (second dimension) is composed of two essential elements: risk assessment and control activities. In this context, the action of identifying and evaluating events that could have an adverse impact on the achievement

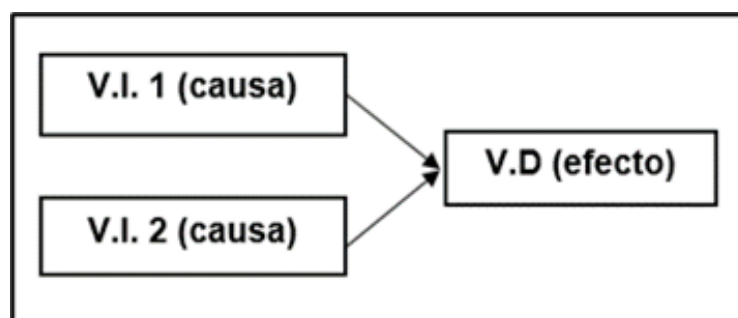
of institutional objectives is addressed, especially in relation to the supply of products for citizens, whether public services or goods. In addition, it seeks to establish control measures aimed at reducing the likelihood that these factors overtake materialize (Office of the Comptroller General of the Republic, 2019). Risk assessment is part of the risk management axis and has to do with identifying, analyzing, evaluating risks and changes that could impair internal control (CGR, 2019). According to Diaz (2022), the purpose of performing a risk assessment is to facilitate decision making by identifying which risks should be addressed and in what order mitigation measures should be implemented; furthermore, risk assessment involves comparing the level of risks discovered during the analysis with the risk criteria previously defined in the context in which they were considered. In this regard, Calle et al. (2020) [12] state that they refer to the actions, policies and methods that people carry out in order to ensure the implementation of essential guidelines to manage risks. Supervision (third dimension), refers to the fact that State entities choose, develop and carry out evaluations to verify the presence and functioning of the ICS. In addition, it identifies and communicates in a timely manner internal control difficulties to those responsible for the implementation of corrective and control measures, including senior management and the area in charge of implementing the ICS, as necessary (CGR, 2019). Supervision verifies whether actions at each level of the organization are aligned with higher levels, while monitoring involves the performance of supervisory activities by the various management structures with the aim of preventing situations that could result in losses. The theoretical foundations of internal control in the State are based on theories of public administration, fiscal responsibility and transparency (Arévalo and Negrete, 2022) [13]. These theories emphasize the importance of efficient management of state resources and openness in government management. Internal control, through its monitoring and evaluation practices, plays an essential role in the application of these theories in the governmental context.

METHODOLOGY

It is research with a quantitative approach, advanced statistical tools and specialized computer programs were used to examine and process the data, and it is of a basic type with a non-experimental design, with the purpose of discovering relationships or associations between the variables.

On the other hand, the research is cross-sectional, since the data collection is at a single moment in time, and causal correlational, since the methods used seek to establish the influence of one variable on another, i.e., its main objective is to find the cause-and-effect relationship between the variables. The scheme used is shown in Figure 1.

Figure 1
Research outline



V.I. 1 (cause) = Independent variable 1: Per diem management.

V.I. 2 (cause) = Independent variable 2: Internal control.

V.D (effect) = Dependent variable: Modernization of the State.

The sample consisted of 161 workers of the public organization under study. The sample size (n) is calculated using the formula for a known population size ($N=275$), in addition, the significance level (α) considered is 5% (therefore, the z value is 1.96), the values of both p and q are 0.5 and the estimation error (e) is $5\%=0.05$.

Likewise, probability sampling was applied, because each element of the population had equal probability of being chosen to form the sample (Hernández and Mendoza, 2018) [14]. In addition, stratified sampling was used since there are.

26 territorial units (strata), and to choose the sample of each stratum, the conversion factor equal to 0.585454545 was applied, which is the result of dividing 161 by 275 (n/N).

To collect data on the per diem administration variable, the survey (technique) and the questionnaire (instrument) were applied. The per diem administration questionnaire was created (Annex 3), whose characteristics are: it has 3 dimensions, 10 indicators, 30 items with ordinal scale (totally disagree, disagree, indifferent, agree and totally agree), with levels and ranges (efficient, 110-150; regular, 70-109; deficient, 30-69). The questionnaire underwent a content validity process evaluated by 3 experts in public management, whose overall result was applicable. In addition, the questionnaire had a Cronbach's Alpha reliability coefficient of 0.963, which indicated that the questionnaire has high reliability.

To collect data on the internal control variable, the survey and questionnaire were used. The internal control questionnaire (Annex 3) developed by the CGR (2023) was applied, with the following details: it has 3 dimensions, 6 indicators, 56 items with ordinal scale (strongly disagree, disagree, indifferent, agree and strongly agree), with levels and ranges (Not optimal, 56-130; Average, 131-205; Optimal, 206-280). In addition, the questionnaire had a reliability coefficient of KR20 equal to 0.981, which indicated that the questionnaire possesses high reliability.

To obtain data on the State modernization variable, the survey and questionnaire were used. The State modernization questionnaire (Annex 3) was created with the following characteristics: it has 5 dimensions, 10 indicators, 20 items with an ordinal scale of 5 values, with levels and ranges (Inadequate, 20-46; Moderate, 47-73; Adequate, 74-100). The questionnaire underwent a content validity process evaluated by 3 experts in public management, whose overall result was applicable. In addition, the questionnaire has a reliability coefficient of Alpha equal to 0.981, which indicated that the questionnaire has high reliability.

Results

The descriptive results of the resulting levels for each study variable are shown in Tables 1, 2 and 3.

Table 1

Per diem management and dimensions

Level	Variable				Dimensions			
	Per diem administration		Per diem management		Per diem culture		Expenditure execution phases	
	fi	%	fi	%	fi	%	fi	%
Deficient	2	1%	11	7%	0	0%	2	1%
Regular	71	44%	90	56%	103	64%	46	29%
Efficient	88	55%	60	37%	58	36%	113	70%
Total	161	100%	161	100%	161	100%	161	100%

The per diem administration variable (Table 1) reached the efficient level with 55%, the per diem management dimension reached the regular level with 56%, per diem culture also presented a regular level with 64%, and the expenditure execution phases tended to the efficient level with 70%.

Table 2*Internal control and dimensions*

Variable Level	Dimensions							
	Internal control		Organizational culture		Risk management		Supervision	
	<i>f_i</i>	%	<i>f_i</i>	%	<i>f_i</i>	%	<i>f_i</i>	%
Non-optimal	48	30%	42	26%	58	36%	65	40%
Average	37	23%	50	31%	22	14%	18	11%
Optimum	76	47%	69	43%	81	50%	78	49%
Total	161	100%	161	100%	161	100%	161	100%

The internal control variable (Table 2) reached the optimum level with 47%, the organizational culture dimension reached the optimum level with 43%, riskmanagement also presented an optimum level with 50%, supervision tended to the optimum level with 49%.

Table 3*State modernization and dimensions*

Variable Level	Dimensions											
	Modernization of the State		Public policy and regulation		Intervention Strategy		Goods and services		Internal Management		Results	
	<i>f_i</i>	%	<i>f_i</i>	%	<i>f_i</i>	%	<i>f_i</i>	%	<i>f_i</i>	%	<i>f_i</i>	%
Inadequate	9	6%	5	3%	8	5%	15	9%	11	7%	22	14%
Moderate	60	37%	49	30%	56	35%	83	52%	60	37%	81	50%
Correct	92	57%	107	67%	97	60%	63	39%	90	56%	58	36%
Total	161	100%	161	100%	161	100%	161	100%	161	100%	161	100%

The State modernization variable (Table 3) reached an adequate level with 57%, the public policy and regulation dimension achieved an adequate level with 67%, the intervention strategy also presented an adequate level with 60%, goods and services obtained a moderate level with 52%, internal management achieved an adequate level with 56%, and results tended to a moderate level with 50%.

General hypothesis testing (HG)

Ho: Per diem management and internal control do not have a significant impact on the modernization of the state in a public organization, 2024.

Ha: Per diem management and internal control have a significant impact on the modernization of the State in a public organization, 2024.

The significance level Sig.=0.000 was less than 0.05, furthermore, Chi*square=39.701 showed that there was an incidence of per diem administration and internal control in the modernization of the State. Also, Nagelkerke=0.268 indicated an incidence of 26.8%.

The "efficient" level of per diem management had an impact on the modernization of the State (Significance=0.001<0.05 and Wald=10.808). Likewise, the "optimal" level of internal control affected the modernization of the State (Significance=0.006<0.05 and Wald=7.471).

CONCLUSIONS

First:

Per diem management and internal control had a significant impact on state modernization in a public organization (Significance=0.000; chi*squared=39.701; Nagelkerke coefficient=0.268).

Second:

Per diem management had a significant impact on state modernization in one public organization (Significance=0.000; chi*squared=22.722; Nagelkerke coefficient=0.161).

Third:

Per diem culture significantly impacted state modernization in one public organization (Significance=0.000; chi*squared=14.256; Nagelkerke coefficient=0.103).

Fourth:

Expenditure execution phases significantly impacted state modernization in one public organization (Significance=0.028; chi*squared=7.134; Nagelkerke coefficient=0.053).

Fifth:

Organizational culture had a significant impact on state modernization in a public organization (Significance=0.000; chi*squared=44.065; Nagelkerke coefficient=0.293).

Sixth:

Risk management had a significant impact on state modernization in one public organization (Significance=0.000; chi*squared=23.746; Nagelkerke coefficient=0.168).

Seventh:

Supervision had a significant impact on state modernization in one public organization (Significance=0.000; chi*squared=24.879; Nagelkerke coefficient=0.175).

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