

An Explanation of Management of Local Governments in Spain Based on the Structure of the Internal Control System

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Strengthening the internal control of municipalities offers multiple benefits: less opportunity for fraud, increased compliance with a growing regulatory environment, and the likelihood of more efficient resource utilization, leading to service improvements. The budget is viewed as a tool with which control over financial resources can be exercised successfully. The Budgetary Result allows us to measure efficiency in short-term in relation to management of financial resources. Our study determines the efficiency the internal control structure on Local Government performance. The results show a strong evidence for the effect of internal control system on increasing the budget result.

Key Words: Local Government; Management; Internal Control; Budgetary Results.

JEL Classification Numbers: H74, M48.

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1. INTRODUCTION

Public administrations are engaged in a process of modernization and restructuring their management and control models in order to meet citizens' needs better. In recent years several countries have been implementing a model of organization and control of their public administrations called The New Public management (NPM) [Lapsley, (1994); Pollit and Summa, (1997); Lapsley, (1999); Hoque, (2005); Caperchione, (2006); Humphrey et al., (2005); Lüder and Jones, (2003); Reginato, (2001); Reginato et al., (2014)]. This model considers the management of the public administrations as a basic tool to improve the efficiency of the same and orient its activities towards the demands of the market and citizens [Hood, (1995); Boxter, (1998); Raman and Bjorkman, (2009); Barretta and Busco, (2011)].

The application of these new forms of organization has given rise to a profound modification in the structure of the public administrations of these countries. These changes have affected the size of their organizations, the accounting and control of such bodies, adopting structures and systems similar to those used in the private sector [Lapsley and Pettigrew, (1994); Hoque, (2001); Agranoff and McGuire, (2003); Mahony et al. (2010); Saliterer and Korac, (2013)]. Internal control systems have been especially introduced which are intended to improve the structure and accounting organization, so reducing corruption and simplifying the running of public administration Brueckner (2000), Fone and Young, (2000), Cohen, (2007), De Koning, (2007) and Gurgur and Shah (2014).

The implementation of the new systems of management and internal control has intensified in recent years Roussy, (2013) and Gnan et al. (2013), since the current economic crisis has limited the financial resources available to these public entities, but it has not diminished the demand for quality public services by citizens. Greater efficiency in the management of the resources available for the efficient provision of public services is required along with increased transparency in the activities carried out by public administrations to reduce possible cases of corruption in these institutions. In addition, the development of public services through e-Government management systems demands more comprehensive and dynamic internal control enabling the implementation and proper operation of the system [Wong and Welch, (2004); Bannister and Conolly (2014)].

Changes in management and the development of systems of internal control in public administrations have mainly affected local authorities due to the diversity of services provided and their increasingly closer relationship with citizens, who require a more effective management and more efficient public services, Reichard, (2003); Pollit and Bouckaert, (2004); Kuhlmann, (2010) and Pavan and Reginato, (2011).

Studies related to the systems management of local authorities have addressed primarily measuring the efficiency in the provision of some or all of the services of such entities by considering the financial resources available for the same, Vanden Eeckaut et al. (1993); De Borger and Kerstens (1996); Athanassopoulos and Triantis (1998); Sousa and Ramos (1999); De Borger and Kerstens (2000); Loikkannen and Susiluoto (2005); Afonso and Fernandes (2006); Balaguer-Coll et al. (2002); Prieto and Zofio (2001); Ballaguer-Coll et al. (2010); Giménez and Prior (2007); Benito et al. (2014b).

However, these studies do not analyse the management and internal control with which these entities perform their financial resources, despite its being an essential element to ensure the efficient provision of public services.

The importance of developing control systems has been analyzed by authors like Carmona (2009), who report that a possible reason for Local Governments inefficiencies is a slackening of internal control, which would weaken the control of public spending when most necessary. Huefner (2011) considers that good internal controls contribute to an efficient use of a municipality's financial resources, so enabling greater delivery of services to the community and minimization of local taxes. Thus, strengthening the internal control of municipalities offers multiple benefits: less opportunity for fraud, increased compliance with a growing regulatory environment, and the likelihood of more efficient resource utilization, leading to service improvements. Woods (2009) concludes that at detailed operational level and within the Birmingham City Council, the control system is contingent upon three variables: central government policy, information and communication technology and organisational size (number of employees).

Using the internal control system, there are empirical studies relating the internal control function of Local Entities with the level of indebtedness Gras et al., (2014) or relating the internal control function with the cost of equity Ashbaugh-Skaife et al., (2009) or with the cost of debt Dhaliwal et al., (2011), in the private sector. However, we are not aware of any study on the relation between management and internal control function of Local Governments, mainly because of the difficulty in obtaining statistical information to quantify the level of internal control. Our work aims to contribute to the Local Entities studies on the efficiency from an empirical point of view

The purpose of this study is to determine the impact of the internal control structure on Local Government performance. Therefore, we have decided to measure the Local Government efficiency globally through a Budgetary variable. The Budgetary Result allows us to measure efficiency in short-term in relation to management of financial resources. These financial resources ensure the provision of public services. This study seeks to determine with a regression model the influence of correctly exercised

internal control and Budgetary Result at Local Government level and , moreover, a series of financial and non-financial variables that influence the budgetary situation of these entities.

The study is organised as follows. Section 2 defines Model and Methodology. Section 3 delimits the sample and variables. In section 4 we describe the analysis of the results and Section 5 show the main conclusions.

2. MODEL AND METHODOLOGY

The empirical analysis used combines a descriptive aspect with an explanatory one and seeks to answer the question of whether the internal control system followed the guidelines of budgetary results for the Spanish local government. We use a multivariate model that allows us to verify the predictive capability of our previously defined explanatory variable, internal control (IC):

$$\begin{aligned} \text{BUDG} = & \beta_0 + \beta_1 \text{IC} + \beta_2 \text{IND}_{it} + \beta_3 \text{TAX} + \beta_4 \text{TRANS} + \beta_5 \text{DENS} \\ & + \beta_6 \text{IDEOL} + \beta_7 \text{GENDER} + \beta_8 \text{TOURIS} + \beta_9 \text{ACTIV} + \varepsilon \end{aligned}$$

where IC is the measure of internal control system; IND is taxation revenues divided by operating revenues TAX is the total tax revenues divided by the number of inhabitants; TRANS is the transfers received; DENS is the population density; IDEOL is a dummy variable (conservative =1, progressive=0); GENDER is a dummy variable (woman =1, man=0); TOURIS is the quotient between the quota corresponding to a municipality divided by the total number of national quotas multiplied by 100.000.; ACTIV is the share of the economic activity in ten thousandths of each municipality on a regional basis of 10,000 units equivalent to the tax revenue from business and professional economic activities.

With this model we analyze the capacity of the explanatory variable to predict the dependent variable, the budgetary result (BUDG), defined as the difference between established entitlements and charged expenditures of the current budget.

We analyze the empirical relation between internal control and budgetary result by means of multivariate regression models. We estimate cross-sectional OLS regression models.

This leads us to the following hypothesis:

H1: The Budgetary Result is positively related to the internal control system.

3. SAMPLE AND VARIABLES

3.1. Sample

The population chosen comprised the total Spanish Local Government in 2012 (8,117 according to the Ministry of Inland Revenue and Public Administrations). The information on the internal control system was obtained via a questionnaire sent by email to the Colegios oficiales de secretarios e interventores de la Administración Local (Official Schools of Secretaries and Controllers of Local Administration) and to those of the Ministerio de Hacienda y Administraciones Públicas (Ministry for Inland Revenue and Public Administrations). The questionnaire sought to obtain the basic information underpinning the study clearly and concisely. The questionnaires were emailed out in December 2012. Fieldwork finished at the end of March 2013. 1,806 responses were obtained- a response rate of 22.25%. The response level is satisfactory, given the mean for this type of study.

So, our sample comprises 1,806 Local Governments.

3.2. Variables

The dependent variable is budget result (BUDG). The annual budget is a key public policy document setting out the government's intentions for raising revenue and utilising the allocated resources during the financial year. Public financial management deals with the integral relationship between revenue and the expenditure of that money in a manner that reflects most closely the people's preferences (Fourie, 2007).

The content and form of the Budgetary Result Statement is regulated by the 2004 Local Governments Budgeting Law and three 2004 Accountancy Orders of Ministry Economy and Treasury. First, it is necessary to define the following terms:

- a) Established entitlements (EE), considered as revenue entitlements recorded in the account. They are commonly registered on receipt or upon notification.
- b) Charged Expenditures (CE). The charging of expenditure takes place upon receipt of invoice. It is similarly logical to charge expenditure (to register the invoice when the invoice is received rather than when it is paid).
- c) The Budgetary Result (BR). This is calculated by the difference between established entitlements and charged expenditures of the current budget.

The Budgetary Result Statement is drawn up to measure the performance in the budget execution at the end of budgetary year. Therefore, when the established entitlements are higher than the expenditures charged ($CE > BR$), the BR of the year is positive (surplus); the BR is negative ($CE < BR$, deficit) in the opposite case.

The variable BUDG is measured like the natural logarithm of (budgetary result +9877810).

The independent variable selected to test the proposed hypotheses is Internal Control (IC). In order to measurement the extent of internal control system we have used the information obtained from the questionnaires. To measure the internal control of each council we use three fundamental aspects of any internal control system: segregation of functions, quality and stability. Responsibility for internal control therefore falls on state-authorized persons belonging to a differentiated scale of the General Government. Likewise, and in accordance with section 2 of the Act cited, the public functionaries who may carry out internal control are Secretaries, Controllers and Treasurers, divided into a series of subscales¹, as follows:

a. Secretariat (Secretary): whose duties include those related to attestation and mandatory legal assessment. Two levels exist:

1. Entrance, at the moment of entry;
2. Higher, after aptitude examinations have been passed or on the basis of merits.

b. Secretariat-Intervention (Controller): which performs the functions of the Secretariat and those of the Intervention-Treasury, except that of treasury. Unlike the previous cases, there are no different levels, although at least three years' experience at a sub-scale is required.

c. Intervention-Treasury (Treasurer): this performs functions related to the control internal taxation economic-financial and budgetary management, and accounting, treasury and collection. As in some other cases, the entrance and higher levels are distinguishable.

We have awarded nine points (highest score) for each municipality that fulfils the following conditions: three points for those municipalities presenting three different people (secretary, controller and treasurer), three points if the three are 'state-authorized' and three points if the three are tenured positions.

As regards internal control function, three different people implies segregation of functions; furthermore, to have be 'state-authorized' implies, on the one hand, the quality of the internal control system because this person has passed an open national competitive examination and, on the other, the stability to develop its function because they are civil servants and are tenured. Consequently, these people have more independence when carrying out their duties.

¹Regulated under article 20 of Decree 1174/1987, of September 18, which regulates the Legal System of state-authorized Local Administration Functionaries.

In order to avoid biased results, the analysis models include different control variables whose influence has been tested in previous studies. We can divide these variables between financial variables and socioeconomic factors.

3.2.1. Financial variables

Tax Revenues (TAX): Local government revenues affect the budget balance. Changes in revenues can be understood as exogenous shocks to the local governments (Hagen and Vabo, 2005). We assume that revenue shocks affect budget result. Studies in Local Government like Hagen and Vabo (2005) report that increases in revenues increases net operating surplus; Tovmo (2007) find that exogenous revenues reduce deficit and Hopland (2012) find that tax revenues have a positive effect on the budget balance. The variable tax revenues (TAX) is measured by dividing the total tax revenues by the number of inhabitants.

Financial Independence (IND): Greater financial independence implies greater objectiveness in budget management. The variable financial independence (IND) is measured by dividing tax revenues by operating revenues.

Transfers (TRANS): Previous literature like Borge (1995), Seitz (2000), Ove (2012) has used the variable grants received to studied the municipal financial management. Ove (2012) found a positive relation between transfers received and budget balance. The variable transfer (TRANS) is measured by dividing the total transfer received (from the state or regional governments) by the number of inhabitants.

3.2.2. Socioeconomic Factors

Population density (DENS): the classic theory of public finance states that population determines government growth, especially at the Local Government level. Hempel (1973), Hulten and Peterson (1984) and Rives and Yates (1997) argue theoretically that population growth causes a rise in the requirement for municipal expenditures. Population is an indicator that influences the municipal financial situation (Groves et al., 1981) and larger Local Governments receive higher demands for public expenditures from citizens (Ashworth et al., 2005). Population density is used like a classic variable to explain the fiscal performance of municipalities. (Borge, 1995). The effect of density on budgetary result is measured by the variable DENS, which refers to the population density in each municipality.

Political ideology (IDEOL): Political theory (Tusell, 1996) has stated that left wing governments show higher laxity regarding government finan-

cial discipline. Progressive parties, thus, defend a bigger public sector with a wider scope of responsibilities than the former. So, it is commonly assigned that left-wing parties favour public spending increases while right-wing parties aim at budget reductions. This theoretical assumption has been verified empirically by various authors (Blais and Nadeau, 1992; Dickson and Yu, 1997; Seitz, 2000; Delgado, 2012; Benito et al. 2014a). The ideology effect on budget result is measured with a dummy variable that takes a value of 1 if the governing party is right-wing and 0 if the governing party is left-wing.

Gender (GENDER): There is a growing interest in studying women's participation in politics. Massolo (1996) establishes the importance of developing the link between municipal studies and women and to include gender studies in the new agenda of democratic municipal governments. We therefore aim to respond, in terms of municipal performance, to the question asked by many researchers (Guillamón, 2011) as to whether women's behaviour is different from men's when exercising political power. The variable gender of mayor is measured with a dummy variable that takes a value of 1 if the mayor is a man and 0 if the mayor is a woman.

Tourism index (TOUR): Data obtained from La Caixa Spanish Economic Yearbook (2012). This is a comparative index of importance for tourism. It is drawn up according to the quota or tax on economic activities for tourism activities, which covers the categories of tourist establishments (hotels, motels, apartment hotels, hostels and pensions, inns and guest houses, camp sites and apartments run by businesses), the number of rooms and annual occupation (all or part of the year). It constitutes an indicator of the tourist offer. The value of the index indicates the share, per 100,000, corresponding to each municipality, province or autonomous community (total revenue in euros from the IAE tax = 100.000). It is, therefore, a simple index obtained from the quotient between the quota corresponding to a municipality divided by the total number of national quotas multiplied by 100,000.

Economic activity (ACTIV): Previous studies have been included this variable as explanatory of the economic situation of the local government: A comparative index for the whole of the municipal economic activity in 2011. It is obtained from the tax corresponding to all the business (industrial, commercial and services) and professional activities. The value of the index expresses the share of the economic activity in ten thousandths of each municipality on a regional basis of 10,000 units, equivalent to the tax revenue from business and professional economic activities. The data can be found in La Caixa Spanish Economic Yearbook (2012).

4. RESULTS

4.1. Descriptive statistics

The descriptive statistics of our dependent variables and control variables are presented in Table 1. The descriptive analysis shows that the IC variable (measure of internal control system) shows a mean value of 2.63. Given that the highest internal control level is 9, the mean for the Spanish councils is seen to be low (deficient).

TABLE 1.
Descriptive Statistics

Variable	Min	Max	Mean	Median	STD
BUDG	15.95	18.27	16.77	16.73	0.13
IC	0	9.00	2.63	3.00	2.02
IND	0.31	0.97	0.37	0.34	0.14
TAX	0	18241.96	344.53	266.56	551.98
TRANS	0	28744.79	566.19	329.57	1048.96
DENS	1.00	22727.00	242.23	35	1116.50
TOURIS	0	2918.00	28.85	1	165.53
ACTIV	0	1840.00	23.33	5	93.03
	0 (%)	1 (%)			
IDEOL	33.2	66.8			
GENDER	84.1	15.9			

where BUDG is the natural logarithm of total budgetary + 9,877,810; IC is the measure of internal control system; IND is taxation revenues divided by operating revenues TAX is the total tax revenues divided by the number of inhabitants; TRANS is the transfers received; DENS is the density; IDEOL is a dummy variable (conservative =1, progressive=0); GENDER is a dummy variable (woman =1, man=0), TOURIS is the quotient between the quota corresponding to a municipality divided by the total number of national quotas multiplied by 100,000; ACTIV is the index of economic activity.

Table 2 shows the Spearman correlation coefficients.

4.2. Multivariate Analysis

We analyze the empirical relation between internal control and budgetary result by means of multivariate regression models. We estimate cross-sectional OLS regression models. We present the results of our model in Table 3.

The model shows a consistently significant positive relationship ($t = 7.66$) between budget result and internal control (IC). These results provide

TABLE 2.

Correlation matrix

	BUDG	IC	IND	TAX	TRAN	DENS	IDEOL	GEND	TOURIS	ACTIV
BUDG	1.000									
IC	0.372**	1.000								
IND	0.268**	0.275**	1.000							
TAX	0.051*	0.026	0.392**	1.000						
TRAN	-0.107**	-0.177**	-0.27**	0.115**	1.000					
DENS	0.173**	0.193**	0.16**	-0.003	-0.067	1.000				
IDEOL	0.107**	0.058*	0.095**	0.021	0.015	0.023	1.000			
GEND	0.051	0.015	0.047	-0.009	-0.005	0.059*	0.053	1.000		
TOURIS	0.476**	0.151**	0.137**	0.057	-0.071*	0.129**	0.035	0.053	1.000	
ACTIV	0.435**	0.257**	0.186**	0.054	-0.083*	0.233**	0.066	0.114**	0.464**	1.000

**, * Significantly different from zero at the 0.01 and 0.05 levels, respectively where BUDG is the natural logarithm of total budgetary + 9,877,810; IC is the measure of internal control system; IND is taxation revenues divided by operating revenues TAX is the total tax revenues divided by the number of inhabitants; TRANS is the transfers received; DENS is the density; IDEOL is a dummy variable (conservative =1, progressive=0); GENDER is a dummy variable (woman =1, man=0), TOURIS is the quotient between the quota corresponding to a municipality divided by the total number of national quotas multiplied by 100,000; ACTIV is the index of economic activity.

strong evidence for the effect of internal control system on increasing the budget result. Our findings provide support for Hypothesis 1.

Therefore, our findings show that an organizational variable such as internal control system influences the budget result in the sense that the Local Governments with weaknesses in their internal control system during crisis periods have a lower budget result or, in other words, the higher the level of internal control, the higher the budget result. These results are consistent with the theoretical framework of Carmona (2009) and Gras et al. (2013), who argue that Local Governments with less internal control system have greater levels of indebtedness and therefore the variable BUGD will decrease. This result was obtained by Giroux and Shields (1993), Fitzgerald and Giroux (2014), Plummer et al. (2007) and Pinnuck and Potter (2009). These authors establish that the local entities with an internal audit committee present evidence of budget deficit to be negatively associated with this internal control.

In terms of the control variables, we find that the variable Financial Independence (Self-financing) (IND) reflects a positive relation in the quotient and a statistically significant value ($t = 3.84$). This positive relation in the coefficients corroborates the idea that a greater level of financial independence by the Local Government implies more objective budget management and, hence, a better budget result.

TABLE 3.

Regression of budget result on independent variables and control variables

Model		
Variables	Estimated Coefficient	t-statistic
Intercept	16.65	732.30***
IC	0.02	7.66***
IND	0.16	3.84***
TAX	-6.73	-0.89
TRANS	-0.00	-1.14
DENS	1.32	0.38
IDEOL	0.02	2.306**
GENDER	0.00	0.53
TOURIS	0.00	10.83***
ACTIV	0.00	4.77***
<i>N</i>	1,806	
<i>R</i> ² (adjusted)	0.356	
<i>F</i>	60.63***	

Notes: *, **, *** Significantly different from zero at the 0.10, 0.05 and 0.01 levels, respectively, (two-tailed)

This table reports results from OLS regression models.

where BUDG is the natural logarithm of total budgetary + 9,877,810; IC is the measure of the internal control system; IND is taxation revenues divided by operating revenues TAX is the total tax revenues divided by the number of inhabitants; TRANS is the transfers received; DENS is the density; IDEOL is a dummy variable (conservative =1, progressive=0); GENDER is a dummy variable (woman =1, man=0), TOURIS is the quotient between the quota corresponding to a municipality divided by the total number of national quotas multiplied by 100.000; ACTIV is the index of economic activity.

The control variable Political ideology (IDEOL) is found to be significantly and negatively ($t = -2.30$) related to the budget result. Conservative governments have better budget results than those of the opposite ideology to finance their policies. This finding is in accordance with a general expectation that left-wing parties are more tolerant of large deficits. The political theory Tusell, (1996) establishes that progressive governments (left wing parties) defend a bigger public sector which must provide a wider range of services (sport centres, public green areas, employment, services, etc.) and consequently positively influences a higher level of debt. This theory has been verified empirically by authors such as Adams (1977), Blains and Nadeau (1992) or García-Sánchez et al. (2011).

The results show that there is a significant and positive relationship between the tourist (TOURIS) and the budget result. This is due, among other causes, to Spanish legislation on local authorities, since it grants councils that have a great tourist activity additional funding opportunities that allow them to have a greater amount of financial resources [Márquez, (2008) and Pastor and Soler, (2009)]. These measures are intended to ensure that these entities can meet all the services they must provide for the proper development of the tourist activity. In addition, the tourist activity generates and increases the economic activity that takes place in the town halls Zafra-Gómez, et al. (2009), increasing financial resources through economic activity tax collected by these entities. The effects of the TOURIS variable with respect to the variable BUDG have been analyzed by different authors with different results. Wong, (1996) analyzed the impact of tourism on 155 U.S. countries, determining that the impact was negative with respect to the variable BUDG, since expenditure increased and there was no effect of the same magnitude on the income. Deller et al. (1997) concluded that this variable did not affect the budgetary result of analyzed local authorities Zafra-Gómez, et al. (2009) and Pastor and Soler, (2009) determined that tourism not only increases municipal expenditures but also produces an increase in liquidity, solvency and budgetary outcomes. The results obtained by Voltes-Dorta et al. (2014) in Spanish municipalities of 5,000 to 250.000 inhabitants match those obtained in our work

With respect to the variable economic activity (ACTIV), our study shows a positive and significant relationship between the variable and the variable budget result. This result shows that in those municipalities where there is a major economic activity there is an increase economic activity and the authorities collected a greater volume of tax, and this situation increases the revenues of such entities. Therefore, a greater volume of income increases the budgetary result and the capacity for funding from local authorities. The increase in economic activity generates an increase of the non-dependent population and a decrease in unemployment, which leads to an increase in resources and a decrease of revenues for the local government, Zárate and Vallés, (2012) and Voltes-Dorta et al. (2014).

Finally, we find that control variables Tax revenues (TAX) and Transfer (TRANS) have a negative but not significant relation with budget result and control variables Mayor's gender (GENDER) and Density (DENS) are found to be positive but not significant in relation to budget result. Thus, it seems that these factors are not useful in explaining the budget result of local administration in Spain.

5. CONCLUSIONS

The aim of this paper was to observe the interaction between the level of internal control and budget result for Spain. In this paper we argue that deficits (surplus) will be lower (higher) in local government where a better internal control system is used.

To do so, we sent out questionnaires to obtain internal control system information and, finally, we analysed a sample of 1,806 Spanish Local Governments. The empirical version of the model is extended by financial and socioeconomic variables.

We have considered that a higher level of internal control implies: the existence of segregation of functions, an enhanced quality of the system, the stability to develop this function and, in consequence, more independence to execute the controls. The control is the function to prevent deviations from planned activities and standards, to ensure that objectives of the municipality are obtained with the least possible problems. The budget is viewed as a tool with which control over financial resources can be exercised successfully. In addition, internal financial audits as well as formal external audits form a basis for control purposes.

It is the first time that a variable of internal control is used to analyse interaction with the budget result. The results show a consistently significant relationship between budgetary result and internal control. These results provide strong evidence for the effect of internal control system in increasing the level of budget result. These results are consistent with the theoretical framework of Carmona (2009) and Gras et al. (2013), who argue that Local Governments with less internal control system conduct greater levels of indebtedness and therefore the variable BUGD will decrease, and with Huefner (2001), who argues that Local Governments with good internal control systems have higher levels of performance. We can, therefore, conclude that efficient internal control systems contribute to the efficient use of municipality's financial resources.

Another finding is that the higher the level of self-finance, the higher the budget result. We can, therefore, state that a greater financial independence implies more objective budget management.

The rest of the results also reaffirm previous empirical works such as:

- a) Conservative governments have better budget results than those of the opposite ideology to finance their policies. This finding is in accordance with a general expectation that left-wing parties are more tolerant of large deficits [Adams, (1977); Blains and Nadeau, (1992) and García-Sánchez et al. (2011)].

- b) Tourism increases budget result [Zafra-Gómez, et al. (2009) and Pastor and Soler, (2009)].
- c) Those municipalities where there is a major economic activity lead to an increase in resources and a decrease of revenues for the local government [Zárate and Vallés, (2012) and Voltés-Dorta et al. (2014)].

These results have important practical implications, especially in terms of the internal control system play. In this regard, current procedures and requirements for accessing the internal control function in Local Governments must be respected. The segregation of functions must be respected and vacancies must be occupied by “state-authorized” and not other kinds of staff. This conclusion contributes to underlining the importance of the internal control system in Local Government.

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